





## Historic, archived document

Do not assume content reflects current scientific knowledge, policies, or practices.









**USDA National Agricultural Library**  
**NAL Building**  
**10301 Baltimore Blvd.**  
**Beltsville, MD 20705-2351**

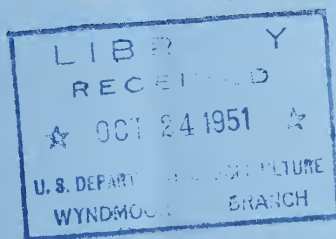




844 m  
NO-12

# Federal Milk Marketing Orders and Dairy Programs

IN WORLD WAR II



USDA National Agricultural Library  
NAL Building  
10301 Baltimore Blvd.  
Beltsville, MD 20705-2351

PRODUCTION AND MARKETING ADMINISTRATION  
UNITED STATES DEPARTMENT OF AGRICULTURE

AUGUST 1951



### ACKNOWLEDGMENTS

Appreciation for helpful criticisms and suggestions is expressed to Louis F. Herrmann and John C. Blum of the Dairy Branch, Production and Marketing Administration, to Gladys L. Baker and Herbert C. Kriesel of the Bureau of Agricultural Economics, and to Donald O. Hammerberg, State Milk Administrator for Connecticut and a consultant to the Dairy Branch.

- - o O o - -

The study on which this report is based was made under authority of the Research and Marketing Act of 1946.





# CONTENTS

	<u>Page</u>
Summary . . . . .	111
I Introduction . . . . .	1
II Transition from a peacetime to a wartime economy . . . . .	3
Effect upon the agriculture of the economy . . . . .	3
Changes in fluid milk markets . . . . .	3
III Emergence of some war agencies . . . . .	4
IV Price-support programs . . . . .	6
From surpluses to shortages . . . . .	6
Milk supply not solely related to parity . . . . .	7
Longer term support prices . . . . .	10
Price-support and procurement operations . . . . .	11
V Price-control legislation and executive orders . . . . .	14
Initial act exempted Federal Marketing Order provisions . . . . .	14
The General Maximum Price Regulation . . . . .	15
Ceilings placed on retail prices of fluid milk and cream . . . . .	15
Executive Order 9250 . . . . .	16
The "Hold-the-line" order . . . . .	17
Importance of milk as a cost-of-living item . . . . .	19
VI Price regulation - milk and cream . . . . .	21
Packaged and bulk sales . . . . .	21
Producer sales to handlers . . . . .	22
Price adjustments . . . . .	22
OPA and WFA . . . . .	27
The pricing problem in small cities and villages . . . . .	28
No upward adjustments in general Producer Price Level . . . . .	29
Producer sales to manufacturers . . . . .	29
Fluid milk prices under OPA regulation . . . . .	29
VII Price regulations - manufactured products . . . . .	32
The freeze on prices of manufactured products . . . . .	32
Specific dollars-and-cents maximum prices . . . . .	32
Federal orders and prices of manufactured products . . . . .	32
VIII Dairy subsidy programs . . . . .	43
The several subsidies . . . . .	43
Special subsidies in some Federal order markets . . . . .	43
Cost of programs . . . . .	43

IX	Set-aside, limitation, and allocation orders . . . . .	48
	The tight supply situation . . . . .	48
	Measures to promote effective wartime utilization . . . . .	48
I	Rationing . . . . .	52
	Method used for butter, cheese, and canned milk . . . . .	52
	The special case of fluid milk . . . . .	55
II	Cooperation between Government and industry . . . . .	59
	The dairy industry advisory committees . . . . .	59
	Government financing of manufacturing plants . . . . .	59
	Achievement "A" awards . . . . .	60
XII	Decontrol . . . . .	61
	Controls over supplies of fluid milk and dairy products relaxed . . . . .	61
	Final maximum price adjustments . . . . .	61
	Dairy prices and the Decontrol Board . . . . .	62
	Repercussions in Federal order markets . . . . .	64
	Literature cited . . . . .	65

## SUMMARY

In World War II, conditions that were external to the dairy industry gave rise to special governmental regulations affecting the industry. Procedures under the Federal milk marketing agreements and order program, which had been established to stabilize fluid milk prices in a depression proved both serviceable and adaptable under the new environment. The foremost of the wartime conditions was inflation. Because fluid milk was essential to the health and morale of the Nation and because it represented an important food expenditure, price ceilings were applied to bottled milk early in the program to control inflation. In the wake of controls came subsidies. Inflation controls were needed for reasons other than direct aid to the dairy industry; however these measures probably enabled the industry to carry out its functions of production and distribution better than they might have been carried out under conditions of uncontrolled inflation. But certainly price controls caused some maladjustments which were tolerable only because they were necessary for attaining the larger objective.

The second fact giving rise to wartime regulations was that war created new demands and greatly changed the relative importance of various branches of the industry. The unprecedented increase in the per capita consumption of fluid milk is a case in point. These changes came so quickly that they overtaxed the industry's normal capacity for adjusting to change. Besides, prices that were controlled for purposes of controlling inflation were largely useless as guides to adjustments in production and distribution. So "set-aside," allocation, and limitation orders and consumer rationing were applied.

Finally, the dairy industry had to contend with regulations over the services and materials it needed, regulations which reflected new demands, curtailed resources, and disrupted price structures of other industries. Shortage of manpower and materials was a Nation-wide problem. Measures with respect to the fluid milk industry which helped to conserve manpower, equipment, and supplies, included the adoption of every-other-day milk deliveries and the provisions of the Milk Marketing Economies order (WFO-11). This order, for example, eliminated all package sizes for milk smaller than 1 quart, except where the milk was resold for consumption on the premises.

This report considers the regulations that were of greatest importance to the functioning of Federal milk marketing agreements and orders. The price-support programs that were transformed from peace to war and back to peacetime uses; price controls; subsidies which served, if not to increase, at least to stabilize production and prevent liquidation of herds; and set-aside, limitation, allocation, and rationing orders. The latter measures were employed to effect distribution which ordinarily is accomplished through the uncontrolled pricing mechanism.

The report tells when each measure came into effect and when it was terminated. In each instance, the major reasons for the action are given, although a brief report obviously cannot appraise and evaluate the merits



of each action. Because price control had such an impact on production and distribution, the greatest emphasis is placed on the evolution of the intricate structure of ceiling prices for fluid milk. Ceiling prices of the leading dairy products also are summarized because these prices enter into the formula pricing of milk for fluid consumption.

Producer prices in Federal-order markets were exempt from the provisions of the Emergency Price Control Act. In specific instances this gave prices desirable flexibility. However, Federal-order pricing remained more or less coordinated with the price-control program through the authority of the Office of Price Administration over retail and wholesale prices, and through the authority of the Office of Economic Stabilization. The operations of Federal orders were modified to protect the markets against price roll-backs, possible breakdowns in market news, increased dependence on "emergency" milk, and other wartime developments.

The administrators of the Federal order markets were called on to direct the limitations placed on sales of fluid milk products, and in other ways to facilitate the adaptation of milk marketing in their areas to wartime conditions.

The war program of the dairy industry was implemented not only by the specific regulations, price relationships, and subsidies which are summarized in this report, but also by the efficiency, cooperation, and sustained efforts of many producers and processors of milk, and by the close cooperation between most dairy organizations and the Government.



FEDERAL MILK MARKETING ORDERS AND DAIRY PROGRAMS  
IN WORLD WAR II

By Gertrude G. Foelsch  
agricultural economist, Dairy Branch

I - INTRODUCTION

Ten years ago the Nation, through its regular agencies and through special wartime agencies, was gearing itself to meet the needs of World War II. Again we are confronted by a world situation which necessitates a reconversion of the economy under regulations resembling to some degree those of that war. In view of this turn of affairs, it appears particularly desirable to provide -- especially for the information and convenience of those who are concerned with the problems and programs of the fluid milk industry in the present situation -- a compact summary and description of the several different yet interrelated activities which comprised the World War II dairy program. It is hoped that this study will be useful to those who must develop, administer, and live under the emergency programs affecting milk marketing during the period ahead. For sources dealing mostly with other special phases of dairying during the war period see citations (4), 1/ (6), (7), (9).

In recent years historical studies of certain milk markets were undertaken by the Research Division, Dairy Branch, Production and Marketing Administration to provide an exposition and evaluation of the marketing structure and pricing mechanisms for fluid milk under Federal regulation. Although the Federal orders functioned more or less normally during the war years, a knowledge of the adaptation of these regulatory programs to the various war measures is necessary to a clear understanding of market performance during that period. This report, therefore, is also intended to serve as a supplement to the individual historical studies on Federal milk regulation. It emphasizes relations between the major war regulations affecting milk marketing and the older Federal order programs.

Wartime orders were superimposed upon an industry which already was operating under the price-support program, under section 32 (of Public Law No. 32, 74th Cong.), projects under the national school lunch program, and the marketing agreement and order program. These regular programs were, insofar as possible, adapted to war objectives. The price-support program, for example, was administered during the war years so as to encourage the production of those dairy products most essential to the war effort.

The complexity of the production and marketing structure for milk and dairy products was particularly evident under the special regulations

---

1/ Underscored numbers in parentheses refer to Literature Cited,  
p. 64.

of World War II. Every phase of the dairy economy from the producer, through the processing and distributive operations, to the consumer was subject to special regulation. The complexity of the industry became evident when some regulations worked badly. Some orders had to be amended quickly and drastically; indeed, most required several amendments during their effective life.

The close interrelationship between the respective wartime measures should be noted, but they are separately treated in this report.

## II - TRANSITION FROM A PEACETIME TO A WARTIME ECONOMY

### Effect upon the Agriculture of the Nation

In this country, governmental policies and the ensuing controls over the national economy were affected by and were related closely to the several stages of the war. The "blitzkrieg" of the spring and summer of 1940 shut off Great Britain from her usual European sources of a number of products, among which were milk and dairy products. In the United States the tremendous expansion, in 1940-41, of defense plants together with the rapid induction of men into the armed services created a serious shortage of labor, particularly on farms; the increased industrial employment at higher wages and for longer hours simultaneously created a greatly expanded consumer purchasing power; and the rapid advance of the Japanese during the period of defensive warfare deprived the United States and her allies of large amounts of critical materials, such as tin, rubber, jute, and certain fats and oils. Under these and other disruptions incident to the war, the agriculture of the United States was transformed, in a few years, from a condition of general overproduction (in relation to effective demand), low prices, and surplus disposal problems, to one in which scarcities, production incentives, and price and materials control measures were the distinctive features.

### Changes in Fluid Milk Markets

The following quotation from The Falls Cities Cooperative Dairyman (2) presents a graphic summary of changes in the Louisville, Ky., marketing area during the defense period -- it could well have been said of many another fluid milk marketing area:

#### Patriotism, Production, and Profit

It is not hard to see the way sentiment is turning and plans are progressing throughout the nation relative to national defense and aid to Britain. In our nation, plans are rapidly becoming realities and we see surrounding our Falls Cities market a vast defense production program, producing soldiers out of civilians at Fort Knox, powder out of chemicals at Charlestown, Ind., practice battlegrounds out of the peaceful hills of Southern Indiana, and gun mounting plants and landing fields out of the garden land adjacent to Louisville. This means more and more consumers of milk as the Government is spending millions in this area for national defense.



### III - EMERGENCE OF SOME WAR AGENCIES

Defense activities, such as those described for the Louisville area, at first were directed by the National Defense Advisory Commission, set up in May 1940. Later a separate Office of Production Management was organized; after the entry of the United States into the war, this became the War Production Board. The WPB had the difficult task of channeling the flow of materials, scheduling production, and directing industry so that the requirements for war materials and for essential civilian materials could be met.

The essential needs for dairy equipment and supplies were among those met under the system of priorities, administered by WPB. For example, the milk can conservation order, issued October 1, 1942, (which cut the amount of iron and steel used for the manufacture of milk cans by two-thirds and reduced the number of types of milk cans from 125 to 17) was amended early in 1943 to allow for an increase of about 75 percent in the manufacture of a simplified type of milk can in the year ending June 30, 1943, to take care of increased production and of replacements of worn and damaged cans.

Early in the emergency (December 1941) the Office of Defense Transportation was established to direct the utilization of scarce transportation facilities and supplies to the most essential uses. To comply with a general order issued by this agency in May 1942, which required a mileage reduction of 25 percent for all local delivery carriers, many cities throughout the United States adopted every-other-day milk delivery schedules. This general ODT order also prohibited special deliveries, call-backs, and more than one delivery a day to the same person. Producers, too, were affected by the scarcity of transportation facilities. Concern over the problem of transporting milk to market was expressed by this admonition to producers in the Falls Cities Cooperative Dairyman (3):

#### How Will Milk Move to Market?

I ask and urge each of you to put into immediate operation any and every conceivable method of reducing unnecessary mileage, eliminating wasteful methods of operation and duplication of parallel services which result in the wasteful use of motor trucks.

Every citizen of the Nation was affected by the price control and rationing regulations of the Office of Price Administration (originally the Office of Price Administration and Civilian Supply). OPA price regulations, that pertained to fluid milk and to prices of dairy products used in formulas to determine prices paid to producers for market milk, are treated later in this chapter. (For a more general discussion of price control see Waite and Trelogan.) (15). Among other wartime agencies concerned with problems of agriculture under the war economy were the National War Labor Board, the War Manpower Commission, and especially the War Food Administration.



Beginning with the establishment of the Secretary's Agricultural Advisory Council in September 1939, the step-by-step development of the defense and war program on the "agricultural front" is sketched in a chronology by Baker and Rasmussen (1). It discloses that early agricultural defense efforts were implemented largely through special committees and conferences and through representation on the Advisory Commission to the Council of National Defense. On May 17, 1941, various phases of the defense effort were centered in an Office of Agricultural Defense (later War) Relations. Also in May of 1941 a National Defense Conference was called by President Roosevelt to review the state of human nutrition in the United States. Fluid milk was recognized as a highly important food in a program to maintain the health, efficiency, and morale of the people through adequate nutrition. How the fluid milk industry, and particularly the federally regulated markets, under necessary war controls, met the challenge of adequately supplying the wartime requirements for this essential food, is one of the main themes of this report.

As the war deepened, agricultural problems and responsibilities were segregated in the United States Department of Agriculture. The War production Board's authority over requirements, allocations, priorities, and procurement of food, for example, was transferred to the Secretary of Agriculture by Executive Order 9280, December 5, 1942. The Executive Order also reorganized the Department of Agriculture, and established a Food Production Administration and a Food Distribution Administration as units of the Department. On March 26, 1943, the Administration of Food Production and Distribution, was established within the Department to carry out these functions and other wartime responsibilities of the Department with an Administrator directly responsible to the President. Soon thereafter (Executive Order No. 9334, April 19, 1943) the Administration of Food Production and Distribution, the Commodity Credit Corporation, and the Extension Service were consolidated within the Department of Agriculture into a War Food Administration. This agency was authorized and directed to: Assume full responsibility for and control over the Nation's food program; to ascertain and determine the direct and indirect military, other governmental, civilian, and foreign requirements for food, both for human and animal consumption and for industrial uses; and to formulate and carry out a program designed to furnish a supply of food to meet such requirements, including the allocation of the agricultural productive resources of the Nation for this purpose.

As has been intimated milk and dairy products were considered to be essential in the diet of civilians, of the Armed Forces, and of the populations of Allied nations; therefore, a number of wartime measures were instituted to stimulate production of milk and to provide for the most effective utilization and allocation of milk and dairy products.

#### IV - PRICE-SUPPORT PROGRAMS

##### From Surpluses to Shortages

When the Nazis invaded Poland on September 1, 1939, and for some time thereafter, leaders of the dairy industry were concerned primarily with problems related to the marketing of ample supplies of milk and dairy products at prices which would at least approach the parity level. Under the Agricultural Adjustment Act of 1933 and as revised under the Agricultural Act of 1948 and of 1949, parity defines a relationship or exchange ratio between prices paid by farmers and prices received by them (12). At that time the effect of the war upon the Nation was not yet fully apparent, but memories of the low prices and burdensome surpluses of the thirties remained clearly in mind. Even as late as February 1941 a bill was introduced in the House of Representatives by Congressman Merlin Hull of Wisconsin which proposed to give the Secretary of Agriculture power to fix the number of cows that dairy farmers could keep in their herds and to establish milk production quotas. 2/

During the defense period, although the domestic demand for milk and dairy products was increasing and there was an erratic foreign demand for some dairy products, an over-all surplus situation still existed. As the lend-lease program accelerated and export requirements -- particularly for evaporated milk, cheese, and nonfat dry milk solids -- expanded rapidly, the competition between outlets for milk for fluid use as against manufacturing uses became very keen. To meet the greatly expanded requirements for milk for fluid consumption which resulted from fuller employment and higher income and from sharp increases in urban populations, some fluid markets, particularly those in the South and far West, and those close to army camps, began for the first time to draw on distant areas for supplemental supplies. All in all, the year 1941 witnessed major adjustments in the several segments of the dairy industry, accompanied by considerable criticism of Government's pricing policies with respect to individual products.

The price-support program primarily affects the price level of manufactured dairy products, but school lunch, penny-milk, and relief milk programs involved fluid milk directly. Furthermore, under the formula plan for pricing fluid milk, which is effective in most Federal order markets, the prices received by graded producers are directly related to the prices of manufactured dairy products. Hence, changes in the price-support program are of more than passing concern to the fluid milk industry. In the prewar period the price of butter usually had the predominating weight in fluid milk formulae. When the British demand for evaporated milk and cheese upset the historical relationship between the prices of these products and the price of butter, fluid milk markets were placed in an unfavorable competitive position. Some

---

2/ H. R. 101 in the Committee on Agriculture, February 1941. Superseded H. R. 6500 and H. R. 6530 "Dairy Products Stabilization," on which a hearing was held March 19, 1940.



of the price and production changes which, under these circumstances, were being felt by dairymen across the country were commented on in the bulletin of the Twin City Milk Producers Association as follows:

As this is written a meeting is planned on September 12 with Government officials who are coming to St. Paul to discuss the high prices paid by the Government for milk moving into evaporated milk and cheese, while not much help is being given in supporting the butter market. It is hoped that plans can be worked out to save the Minnesota creameries and to help market milk organizations to secure a price in line with the condensery and cheese prices.

Plans have been made to enlarge the powder capacity of our Farmington plant and to transfer milk from the other plants to Anoka, so as to make the largest amount of Dry Milk Solids possible for Government use. Our organization, like most others, is using every effort to cooperate to the fullest extent with the Government. We only regret that the British cannot use both the butterfat and solids-not-fat and we hope that our Government can work out something along this line to keep the industry in balance. (11)

These changes as the Nation moved from peace to war, in price relationships of manufactured dairy products, and their repercussions on regulated milk markets led to the adoption of alternative formulae which, in one form or another, related the price of milk not only to butter, but also to the other major dairy products.

#### Milk Supply not Solely Related to Parity

The expansion in milk production and the changing price relationship with respect to parity, are presented in table 1. The average prices received by farmers, in 1940, for milk sold wholesale and for butterfat were still below the parity level. In 1941 the parity goal finally was attained for milk sold wholesale. From 1942 through 1948 the prices (on an annual basis) both of milk sold wholesale and of butterfat were considerably higher than their respective parity prices. But in 1949 the simple average price (\$3.99 per cwt.) received by farmers for milk wholesale was only 12 cents greater than the parity price and the simple average price of butterfat (62.0 cents per lb.) was 1.6 cents less than the parity price. In 1950, moreover, the average price (\$3.92 per cwt.) of milk sold wholesale was 51 cents less than the parity price and that of butterfat (61.8 cents per lb.) was 9.1 cents less than the parity price.

However, other factors than favorable or unfavorable price levels with respect to parity may strongly influence the trend of milk production.

Table 1.--The supply and price situation for milk and butterfat, 1930-50

Year	Cows and heifers on farms Jan. 1:	Milk production: on farms	Milk sold wholesale Prices rec'd: by farmers		Butterfat Prices rec'd: by farmers	
	1/	2/	1/	Parity price	1/	Parity price
	Thous- ands	Millions pounds	Dollars per cwt.	Dollars per cwt.	Cents per pound	Cents per pound
1930	23,032	100,156	2.22	2.54	34.5	41.8
1931	23,820	103,029	1.70	2.24	24.8	36.8
1932	24,896	103,810	1.28	1.98	17.9	32.6
1933	25,936	104,762	1.31	1.90	18.8	31.3
1934	26,931	101,621	1.55	2.05	22.7	33.7
1935	26,082	101,205	1.72	2.05	28.1	33.7
1936	25,196	102,410	1.89	2.03	32.2	33.4
1937	24,649	101,908	1.98	2.11	33.3	34.7
1938	24,466	105,807	1.75	2.02	26.3	33.1
1939	24,600	106,792	1.70	1.97	23.9	32.3
1940	24,940	109,502	1.84	1.98	28.1	32.6
1941	25,453	115,268	2.21	2.10	34.2	34.5
1942	26,313	118,824	2.62	2.38	39.6	39.2
1943	27,138	117,785	3/ 3.15	2.56	5/ 49.9	42.1
1944	27,704	117,992	3/ 3.24	2.69	5/ 50.3	44.2
1945	27,770	121,504	3/ 3.22	2.74	5/ 50.3	45.0
1946	26,695	119,713	3/ 4.05	3.06	5/ 64.3	50.2
1947	26,098	119,065	4.34	3.68	71.8	60.5
1948	25,039	115,527	4.89	3.97	79.7	65.2
1949	24,416	119,245	3.99	3.87	62.0	6/ 63.6
1950 1/	24,573	120,555	3.92	4.43	61.8	70.9
1951 1/	24,579					

1/ Cows and heifers 2 years old and over kept for milk.

2/ Excludes milk sucked by calves and milk produced by cows not of farms.

3/ Weighted average of monthly prices.

4/ Subject to revision.

5/ Dairy production payments not included. Listed below are average annual unit returns (price plus production payments 5/), received by farmers:

	Milk sold wholesale Dollars per cwt.	Butterfat Cents per lb.
1943 1/	3.25	51.4
1944	3.77	58.2
1945	3.78	63.6
1946 2/	4.35	73.8

1/ A straight average of monthly data given in tables 19 and 20 of the January 1949 issue of *The Dairy Situation*, periodical of the Bur. Agr. Econ.

2/ Payments began in October.

3/ Payments ended June 30.

4/ A new parity formula became effective January 1, 1950; if the new formula had been in effect in 1943 the parity prices of milk sold wholesale and butterfat would have been respectively, \$4.08 per hundredweight and 70.1 cents per pound.

Compiled from regular published reports of the Bureau of Agricultural Economics.



INDEX

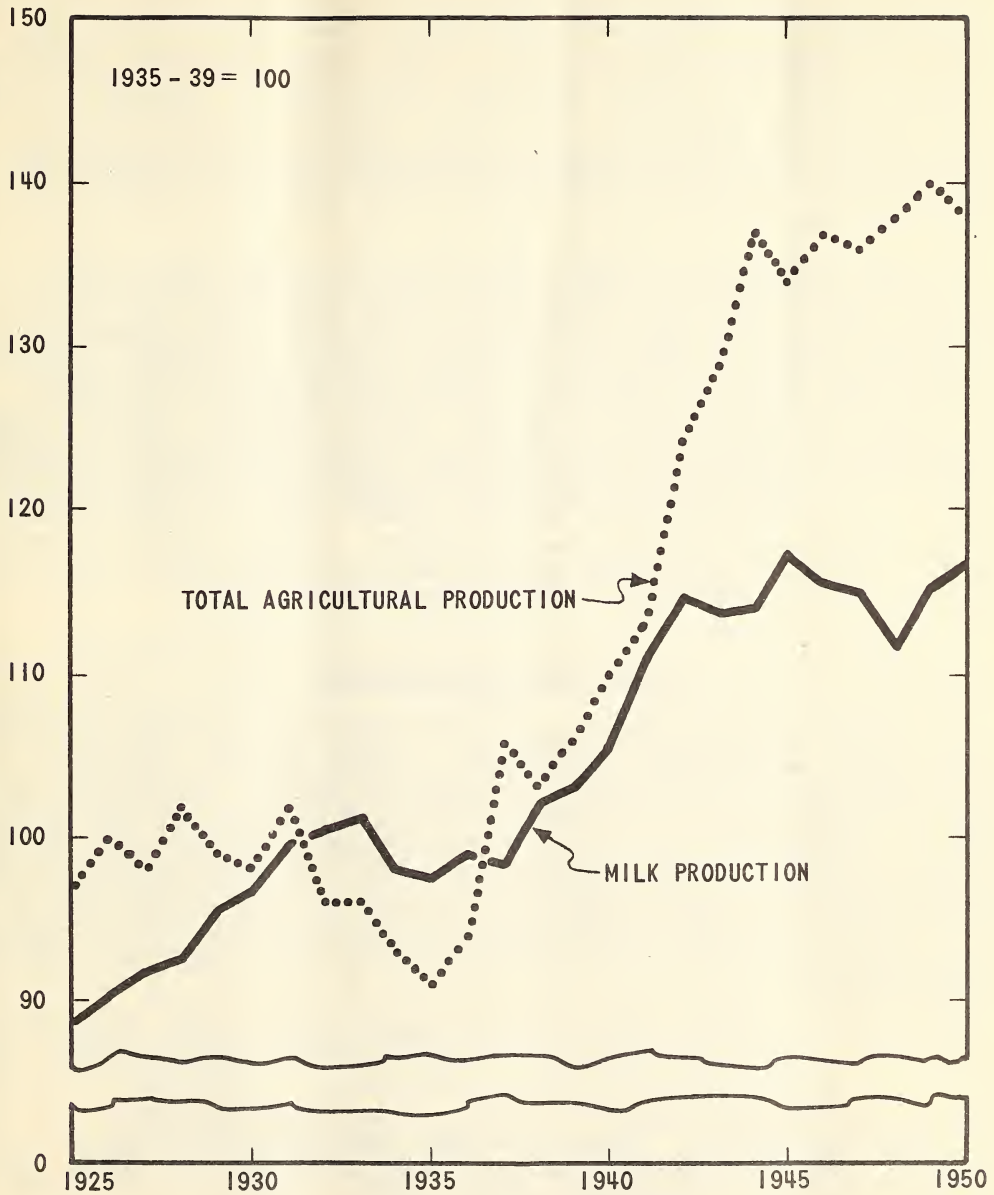


Figure 1. -- Index numbers of milk production and of total agricultural production, 1925-50.

From 1938 to 1941, for example, producer prices for milk were below the parity level, nevertheless the increase in milk production paralleled the increase in total agricultural production (fig. 1). Agricultural production continued to expand sharply until 1945, but -- despite the fact that milk prices were substantially above parity -- the production of milk leveled off abruptly in 1942. This change generally was ascribed to a combination of the following unfavorable factors: Scarcity and high cost of farm labor, particularly experienced dairy labor; the limited supply of high protein concentrates for feeding milk cows and the high cost of dairy feed; high prices for cattle for slaughtering; and more favorable returns from other lines of farm production.

But, going back to prewar, in 1940 and to a lesser extent in 1941 (as from time to time in preceding years dating back to the farm relief measures of 1933) purchases of butter and other dairy products were made by the Federal Surplus Commodities Corporation and other governmental agencies to support the market price of milk and dairy products and thus increase the cash farm income of producers of milk. The Government's purchasing program during the period from 1933 through 1940 was designed to support market prices and to encourage an even distribution of supplies (heaviest purchases of butter, for instance, usually were made during the flush season and were sold out of storage to the late fall and winter), but no long-range advance notice of price-support levels was made public. Surplus disposal programs, as, for example, the Food Stamp plan and the low-cost and penny-a-glass milk programs, were closely related to the price-support program.

#### Longer Term Support Prices

In 1941 price supports became part of the efforts to encourage milk production to meet wartime requirements. On April 3, 1941, the United States Department of Agriculture announced that prices of butter would be supported at approximately 31 cents per pound, basis 92 score butter, Chicago market. Considerable dissatisfaction with respect to this announcement was expressed in dairy circles, particularly in the heavy butter-producing areas. The Minnesota Farm Bureau Federation, Central Commission, and the Twin City Milk Producers Association, for example, joined in sending the President, the Secretary of Agriculture, and the Minnesota delegation in Congress, the following telegram:

Pegging prices on farm commodities on a fixed basis, coupled with stimulated production without fixing prices on factors which enter into production of things purchased by the farmer would be disastrous to Minnesota agriculture. Fixed prices must fluctuate with seasons and to be workable and fair, based on parity. Any other policy is completely unfair. (10)

Under the Steagall amendment to the Act of July 1, 1941, extending

the life of the Commodity Credit Corporation, the Department of Agriculture was required to support the prices of those nonbasic <sup>3/</sup> commodities for which the Secretary had requested by public announcement that production be expanded. The support was to be at not less than 85 percent of parity, and to continue for a 2-year period beginning with January 1 after the official ending of hostilities. By amendment, October 2, 1942, the minimum support level for Steagall commodities was raised from 85 to 90 percent of parity.

Longer term price-support levels advanced sharply during the war period (table 2). In fact, after the inauguration of the lend-lease program in 1941 prices of fluid milk and of dairy products were such that for several years no purchases primarily for price-support purposes were necessary. This condition continued in 1946 after the termination of lend-lease. In 1947, however, 211 million pounds of nonfat dry milk solids were purchased for price-support purposes. This stockpile later was sold to other Government agencies for use in foreign occupied countries and for foreign relief. In 1948 prices of dairy products again were well above the mandatory support level; but in 1949 and 1950 sizeable purchases (for price-support purposes) were made, not only of nonfat dry milk solids, but also of butter and cheese. In the latter year the Commodity Credit Corporation (for price-support purposes) purchased 128, 109, and 352 million pounds, respectively, of creamery butter, Cheddar cheese, and nonfat dry milk solids.

#### Price-support and Procurement Operations

Ever since the passage of the Lend-Lease Act in March 1941 the Commodity Credit Corporation has been making purchases under its so-called supply program, to meet urgent requirements from abroad for food (including some dairy products) and other commodities. Although these procurement operations are not made primarily to support or enhance prices, the purchase of large quantities of agricultural commodities does affect prices just as operations under the price-support and other programs affect prices. It is apparent that both the price-support program and the supply program for dairy products have a direct bearing upon the income of producers of milk or cream for manufacturing purposes. Moreover, as before-mentioned, these programs directly affect the level of incomes of producers of milk for fluid purposes, because, in the first place, fluid market surpluses (which are usually manufactured into dairy products) are priced on the basis of prices for specified dairy products, and, in the second place (in all but a few fluid milk markets), the Class I price is based directly upon prices of manufacturing milk, such as average prices paid by condenseries, or the prices of particular dairy products.

---

<sup>3/</sup> Commodities other than cotton, corn, wheat, tobacco, peanuts, and rice. Steagall commodities are: Milk, butterfat, hogs, eggs, chickens, turkeys, potatoes, sweetpotatoes, American Egyptian cotton, certain varieties of dry peas and dry edible beans, soybeans, peanuts (for oil), and flaxseed for oil.



Table 2.—Support prices for milk and butterfat and purchase prices for manufactured dairy products under support program, 1941-51

Date announced	Milk sold at wholesale	Butterfat	Butter	Cheddar cheese	Evaporated milk	Nonfat dry milk solids	Roller	Spray
	Dollars per cwt.	Cents per lb.	Cents per lb.	Cents per lb.	Dollars per case	Cents per lb.	Cents per lb.	Cents per lb.
1941								
Apr. 3			31.0	5/	5/	5/	5/	
Sept. 8	2/	6/						
1942								
March 28			36.0					
May 18						12.0	13.5	
July 1				20.25				
July 21			39.0	21.00	3.10	11.5	14.0	
Nov. 27	2/	2/	8/ 46.0	9/ 27.00	4.10	12.5	14.5	
1944								
Jan. 26			8/ 46.0	9/ 27.00	not stated	12.5	14.5	
March 4	Supported at not less than 30 cts. per cwt. above returns for mfg. products.	Supported at not less than 4 cts. per lb. above returns for mfg. products.	10/	10/	10/	10/	10/	10/
1947								
Feb. 24						11/ 9.0	11/10.0	
1949								
Feb. 8		12/	12/ 59.0					
Apr. 14	13/					14/11.0	14/12.25	
July 27			15/ 62.0	15/31.75				
Sept. 1						11.5	12.75	
Dec. 22	16/	17/	18/ 60.0	31.00	3.95	10.5	12.5	
1951								
March 15	19/	20/	21/ 66.0	36.00		15.0	13.0	

1/ Prior to 1949, announced purchase prices were for grade A (92 score) butter in carlots at Chicago.

2/ Grade A or higher American Cheddar cheese in carlots.

3/ Prices July 21 and Nov. 27, 1942, were for export packages, in carlots, f.o.b. plant, price announced Dec. 22, 1949, for domestic packages.

4/ U. S. Extra grade in carlots.

5/ Equivalent to butter price.

6/ In accordance with the Steagall amendment the Department of Agriculture announced that prices of milk sold at wholesale and of butterfat would be supported at not less than 85 percent of parity.

7/ The Steagall amendment, as amended Oct. 2, 1942, raised the minimum support level from 85 to 90 percent of parity.

8/ Support price included an allowance for a roll-back subsidy of 5 cents a pound.

Continued-



Footnotes for table 2 - Continued

9/ Support price included an allowance for a subsidy payment of 3.75 cents a pound.

10/ Announcement made that the Jan. 26, 1944, support levels would continue in effect until Dec. 31, 1944.

11/ Purchases of nonfat dry milk solids under this announcement were discontinued in August 1947.

12/ In accordance with the provisions of The Agricultural Act of 1948 (which extended price support on milk and butterfat at 90% of parity until Jan. 1, 1950, the price support to be based on the parity price at the beginning of the year) the Department announced a program for the purchase of butter at a price equivalent to the support level of 90% of parity for butterfat at the Jan. 15, 1949, level. To attain this support level the Department offered to buy, in any area, U. S. Grade A or higher grade butter at 59 cents a pound for delivery before Sept. 1, 1949, and at 62 cents a pound for delivery during the remainder of 1949. Respective purchase prices for Grade B butter were 2 cents less per pound.

13/ This announcement to purchase nonfat dry milk solids at indicated prices was part of the program to support manufacturing milk at 90% of parity, in accordance with the Agricultural Act of 1948.

14/ These support prices were scheduled to advance 1/2 cent per pound on Sept. 1, 1949.

15/ On July 27, 1949, the Department announced that the 62 cent price per pound for Grade A butter would become effective immediately instead of on Sept. 1, 1949; and effective immediately American Cheddar cheese, Grade A, in carlots, would be purchased under the support program at 31.75 cents per pound.

16/ Under this announcement the U. S. Dept. Agr., for the period from January 1950 through March 1951, offered to make carlot purchases of processed dairy products at indicated prices, f.o.b. at any location in the United States.

17/ The program supported farm prices of manufacturing milk and butterfat from January 1950 through March 1951 at national average prices of approximately \$3.07 per hundredweight for manufacturing milk of 3.95 percent butterfat (yearly average test) and approximately 60 cents per pound for butterfat. Prices announced were within the range specified by the Agricultural Act of 1949, that is, between 75 and 90 percent of parity. The support prices represented about 79 percent of the parity equivalent price for manufacturing milk, as parity is estimated under the new parity formula. (The parity equivalent price for manufacturing milk was 88.5 percent of the U. S. average parity price of all milk sold by farmers at wholesale to plants and dealers.)

18/ U. S. Grade A or higher; price for U. S. Grade B - 58 cents per pound.

19/ During the period Apr. 1, 1951, through March 31, 1952, the U. S. Dept. Agr. offers to make carlot purchases of dairy products at indicated prices, f.o.b. at any location in the United States.

20/ The program supports farm prices of manufacturing milk and butterfat national average prices of about \$3.60 per hundredweight for manufacturing milk of 3.95 percent butterfat (yearly average test) and 67.6 cents per pound butterfat. The announced support prices are equal to 87 percent of the parity equivalent price for manufacturing milk and 90 percent of parity for butterfat.

21/ U. S. Grade A or higher; price for U. S. Grade B - 64 cents per pound.

## V - PRICE-CONTROL LEGISLATION AND EXECUTIVE ORDERS

### Initial Act Exempted Federal Marketing Order Provisions

An Office of Price Administration and Civilian Supply was created by Presidential directive in the spring of 1941. At first the most important function of the agency was to control prices of selected scarce raw materials and products, which were essential in the development of the defense and war programs. Steel, lumber, hides, jute, and rubber are a few examples of such commodities. Meanwhile enabling legislation was under consideration in Congress which culminated in the Emergency Price Control Act of 1942, effective January 30, 1942. This legislation required that maximum prices should be fair and equitable and should reflect, so far as practicable a due consideration of prices prevailing between October 1 and 15, 1941, adjusted for subsequent increases and decreases in costs and profits.

Section 3 of the "Emergency Act" dealt with agricultural commodities and, in subsection (a), enumerated the following alternative ceilings for prices at the farm level:

No maximum price shall be established or maintained for any agricultural commodity below the highest of any of the following prices, as determined and published by the Secretary of Agriculture: (1) 110 per centum of the parity price of such commodity, adjusted by the Secretary of Agriculture for grade, location, and seasonal differentials, or, in case a comparable price has been determined for such commodity under subsection (b), 110 per centum of such comparable price, adjusted in the same manner, in lieu of 110 per centum of the parity price so adjusted; (2) the market price prevailing for such commodity on October 1, 1941; (3) the market price prevailing for such commodity on December 15, 1941; or (4) the average price of such commodity during the period July 1, 1919, to June 30, 1929.

The powers of the CFA with respect to agricultural commodities were further circumscribed under subsection (c) which read as follows:

No maximum price shall be established or maintained for any commodity processed or manufactured in whole or substantial part from any agricultural commodity below a price which will reflect to producers of such agricultural commodity equal to the highest price therefore specified in subsection (a).



Furthermore, under subsection (d), the following provision was made:

Nothing contained in this act shall be construed to modify, repeal, supercede, or affect the provisions of the Agricultural Marketing Agreement Act of 1937, as amended, or to invalidate any marketing agreement, license, or order, or any provision thereof or amendment thereto, heretofore or hereafter made or issued under the provisions of such act.

#### The General Maximum Price Regulation

Under the authority of the Emergency Price Control Act of 1942, the General Maximum Price Regulation, commonly known as the GMPR, was issued by the Office of Price Administration on April 28, 1942. This was about 3 months after the enabling act had been passed. During these intervening months, in concurrence with the act, ceilings had been instituted at the October 1-15, 1941, level for some selected commodities. With the issuance of the General Maximum Price Regulation the period of selective controls came to an end, and the period of "universal price ceilings" began.

The General Maximum Price Regulation specified that maximum prices should be:

(1) The highest price which the seller charged for a commodity delivered or service supplied by him during March 1942, commonly known as the "freeze" period, or

(2) If the seller made no such delivery or supply during March 1942, his highest offering price for delivery or supply during that month.

These provisions of the GMPR, together with others, became effective on May 11, 1942, except that "freeze" prices on sales at retail did not become effective until May 18, 1942, nor on sales of services at retail until July 1, 1942. However, effective April 28, 1942, every seller subject to the regulation had to preserve for examination by the OPA all his existing records relating to sales of commodities or services during March 1942. As a condition of selling commodities or services, every seller subject to the GMPR was automatically granted a license. As set forth in the Emergency Price Control Act, persons who violated any provision of the GMPR were subject to criminal penalties, civil enforcement actions, and lawsuits for treble damages and to proceedings for the suspension of licenses.

#### Ceilings Placed on Retail Prices of Fluid Milk and Cream

The General Maximum Price Regulation provided maximum prices for

fluid milk and cream which was sold at the retail level in glass or paper containers. This ruling did not apply to prices of the various manufactured dairy products, or to fluid products at the wholesale level, or to prices of milk delivered by producers to fluid or to manufacturing plants. It was pointed out in the statement of considerations involved in the issuance of the GMPR that this regulation would be subject to many refinements and particular revisions, and that supplementary regulations would be issued expeditiously. As will be indicated specifically in a later table, maximum wholesale prices of fluid milk and cream were established within a few months. Prices of most manufactured dairy products were frozen in the fall of 1942. Ceilings on producer milk for fluid purposes became effective early in 1943, but ceilings on manufacturing milk were not directly applied until June 1946.

#### Executive Order 9250

Although the GMPR was a curb on inflation for many commodities and services, inflationary forces were accelerating in other fields. On October 2, 1942, Congress passed "An act to amend the Emergency Price Control Act of 1942, to aid in Preventing Inflation and for other Purposes"; and on the next day the President issued Executive Order 9250, "Providing for the Stabilizing of the National Economy." Under this order an Office of Economic Stabilization and an Economic Stabilization Board were established. Justice James F. Byrnes was appointed as the Director of Economic Stabilization.

Stabilization of the cost of living in accordance with the Emergency Price Control Act of 1942 as amended October 2, 1942, was to be the guiding policy of the Director of Economic Stabilization and of all departments and agencies of the Government. Administration of activities related to the national economic policy remained with the departments and agencies, but such administration had to conform to the directives on policy issued by the Director of Economic Stabilization.

This meant, for example, that even if the Secretary of Agriculture was convinced that, from the standpoint of the dairy industry, higher prices to producers for milk were the best means to achieve adequate production, he had to weigh the effects of such an action upon the stabilization program. Moreover, in the pricing of milk in Federal order markets (which were not directly under CFA regulation) the Secretary could not, and did not, disregard his broader responsibilities under the Nation-wide fight against inflation. In case of disagreement between CFA and WFA with respect to price actions affecting agricultural commodities, final decision was made by the Director of Economic Stabilization.

Executive Order 9250 directed that the prices of agricultural commodities and of commodities manufactured or processed in whole or substantial part from any agricultural commodity should be stabilized, so far as practicable, on the basis of prices which existed on September 15, 1942,



and in compliance with the Act of October 2, 1942; and ordered regulation of the prices of certain specific products, which included dairy products previously exempted.

On the same day (October 3, 1942) that the President issued Executive Order 9250 the Office of Price Administration issued Temporary Maximum Price Regulation No. 22 (commonly designated as TMPR 22); thereby, prices of many commodities, among them manufactured dairy products, were frozen at the highest prices prevailing in the week of September 28 to October 2, 1942. This temporary order was reissued as MPR 280 on December 3, 1942. As will be brought out later in more detail, most manufactured dairy products were placed under specific "dollars-and-cents" ceilings with the issuance of MPR 289 on December 30, 1942.

### The "Hold-the-line" Order

Despite the stabilizing effects of the OPA price regulations, which had been issued under the authority of the "Emergency Act" of January 30, 1942, and the amendments thereto of October 2, 1942, the cost-of-living index rose from 114.3 on March 15, 1942, to 122.8 on March 15, 1943. This is shown in table 3, in which are summarized, for the years 1939 through 1948, the trend of consumer costs of "all items" included in the cost-of-living index together with the trend of consumer costs of dairy products and other important subcategories of living expenses. The indexes for March, June, September, and December of 1942 and 1943 show the changes associated with early price control legislation and regulation. Rents were stabilized early in 1942, but the cost of clothing and particularly of food increased sharply during that year. By early 1943 these higher costs to consumers were contributing to serious pressure to permit another round of wage increases.

To stop inflationary forces, the President issued Executive Order 9328 on April 8, 1943. In his comments to the press he described this order as the "hold-the-line" order. The Price Administrator and the Administrator of Food Production and Distribution were directed to take immediate steps to place ceiling prices on all agricultural and other commodities affecting the cost of living; to authorize no further increases in ceiling prices except to the minimum extent required by law; and immediately to use all discretionary powers vested in them by law to prevent further price increases direct or indirect, to prevent profiteering, and to reduce prices that were excessively high, unfair, or inequitable. Nothing in the order, however, was to be construed to prevent the Food Administrator and the Price Administrator, subject to the general policy directives of the Economic Stabilization Director, from making such readjustments in price relationships appropriate for various commodities, or classes, qualities, or grades thereof, or for seasonal variations, or for various marketing areas, or from authorizing such support prices, subsidies, or other inducements as might be authorized by law and deemed necessary to maintain or increase production,

Table 3.--Index numbers of cost of goods purchased by wage earners and lower salaried workers in 14 large cities combined, 1939-50  
(1935-39 = 100)

Year and month	All items	Food		Clothing	Rent	Fuel, electricity, and ice	House furnish- ings	Miscel- laneous
		All foods	Dairy products					
1939	99.4	95.2	95.9	100.5	104.3	99.0	101.3	100.7
1940	100.2	96.6	101.4	101.7	104.6	99.7	100.5	101.1
1941	105.2	105.5	112.0	106.3	106.2	102.2	107.3	104.0
1942	116.5	123.9	125.4	124.2	108.5	105.4	122.2	110.9
March 15	114.3	118.6	121.7	123.6	108.9	104.5	121.2	110.1
June 15	116.4	123.2	122.1	125.3	108.5	105.0	122.3	110.9
September 15	117.8	126.6	127.7	125.8	108.0	106.2	123.6	111.4
December 15	120.4	132.7	132.3	125.9	108.0	106.3	123.7	112.8
1943	123.6	138.0	134.6	129.7	108.0	107.7	125.6	115.8
March 15	122.8	137.4	137.0	127.6	108.0	107.4	124.5	114.5
June 15	124.8	141.9	133.7	127.9	108.0	107.7	125.4	115.7
September 15	123.9	137.4	133.5	132.5	108.0	107.7	126.3	117.0
December 15	124.4	137.1	133.5	134.6	108.1	109.5	127.9	118.1
1944	125.5	136.1	133.6	138.8	108.2	109.8	136.4	121.3
1945	128.4	139.1	133.9	145.9	108.3	110.3	145.8	124.1
1946	139.3	159.6	165.1	160.2	108.6	112.5	159.2	128.8
1947	159.2	193.8	186.2	185.8	111.2	121.1	184.4	139.9
1948	171.2	210.2	204.8	198.0	117.4	133.9	195.8	149.9
1949	169.1	201.9	186.7	190.1	120.8	137.5	189.0	154.6
1950	171.2	204.1	183.9	188.0	124.1	141.1	190.8	157.1

Compiled from Handbooks of Labor Statistics and from the Monthly Labor Review, April 1949; data for 1949 and 1950 obtained directly from the Department of Labor.

provided that such action did not increase the cost of living.

The hold-the-line order authorized and directed the Economic Stabilization Director to take such action and to issue such directives under the authority of the Act of October 2, 1942, as he deemed necessary to stabilize the national economy, to maintain and increase production, and to aid in the effective prosecution of the war; and provided that "except insofar as they are inconsistent with this order, Executive Order 9250 and the regulations issued pursuant thereto shall remain in full force and effect."

#### Importance of Milk as a Cost-of-living Item

The rise in the cost-of-living index was checked between June 15 and September 15, 1943. The food index decreased 4.5 points, largely reflecting roll-backs of meat and butter prices accompanied by offsetting subsidies (table 3). Indexes of all other cost-of-living categories either remained unchanged or continued to increase. Inasmuch as the food groups comprised approximately 35 percent of the entire index, the stabilization of food costs was an important accomplishment. It will be noted that the subindex of dairy products decreased from 137.0 in March 1943 to 133.7 in June 1943 and that it was approximately stable for the remainder of the war years. A roll-back of 5 cents a pound in the price of butter (offset by subsidy payments to butter manufacturers) contributed significantly to the decrease in the dairy index.

Data shown in table 4 indicate the average importance of fluid milk and of dairy products as cost-of-living items in the years 1935 to 1939 inclusive. Dairy products in total had approximately the same weights in the war years as in the 1935 to 1939 period, but by November 1945, the weight of retail milk in the food index had increased to 11.8 while butter had decreased to 4.5; these changes were due largely to changes in per capita consumption of the two commodities. It is evident that the control of prices of milk and dairy products was an important consideration in carrying out the President's hold-the-line policy. There follows some detail with respect to measures taken to control these prices and at the same time meet the war-time production goals.



Table 4.—Relative importance of prices of specified dairy products in the Consumers' Price Index in Large Cities and in the subindex for food items, average 1935-39

Item	Consumers' price index Percent	Food subindex Percent
All food items:	35.4	100.0
Dairy products	6.8	19.1
Retail milk	3.9	11.1
Butter	1.9	5.4
Cheese	.6	1.6
Evaporated milk	.4	1.0

Bureau of Labor Statistics, Department of Commerce.



884 Hg

United States Department of Agriculture  
Production and Marketing Administration

October 1951

Supplement to "Federal Milk Marketing Orders and Dairy Programs In  
World War II," Agriculture Monograph No. 12

Page 21 - Insert the following statement in the place of the last  
sentence:

Most interhandler sales of bulk milk remained free from price control but some localized problems developed in shortage areas. In consequence, by Amendment 33 to MPR 280 of August 19, 1943, authority was delegated to the Administrator of each Regional Office of OPA, within whose region the milk was resold for consumption as fluid milk, to establish maximum prices on their own initiative, or at the request of the purchasing handler. These transactions usually were interregional. To facilitate regulation, Amendment 41 to MPR 280 of February 9, 1944, was issued whereby authority for establishing maximum prices in interhandler transactions was transferred from the Administrator in whose region the milk was sold to the Administrator in whose region the milk was first physically received from producers. Under these amendments, Regional Administrators were directed to refrain from establishing or adjusting maximum prices which would conflict with the terms or provisions of any Federal milk marketing agreement or order.

Page 56, line 1, add the following statement after the reference to footnote 7:

On February 8, 1945, however, the Circuit Court of Appeals, Sixth Circuit, reversed the decision.  
Change 1943 to 1944.

Page 56, line 4, insert "fluid milk and" after the word "on."

Agriculture - Washington



VI - PRICE REGULATION - MILK AND CREAM

Packaged and Bulk Sales

It is apparent from the chronological summary given in table 5, that the imposition of price controls to sales of fluid milk and cream, at various points in the marketing channel, was gradual. It began at the consumer level and proceeded backward until producer prices were directly controlled.

As of May 18, 1942, retail prices of fluid milk and cream in glass or paper containers were frozen under the GMPR at the highest prices prevailing in March 1942. In view of the importance of fluid milk as a cost-of-living commodity it is not surprising that this product was first to come under control. Furthermore, the 110 percent of parity and other minima specified in the Price Control Act precluded the imposition of price controls on producer sales of milk and cream at that time. In August 1942, price control was applied to packaged milk and cream at the wholesale level. Maladjustments under the March freeze were corrected and specific retail and wholesale prices were established for fluid milk and cream in a number of cities and regions on a marketwide basis by Supplemental Regulations 14 and 14 A to the GMPR.

Ceiling prices, at the retail and wholesale levels, applied in all fluid milk markets, including those under Federal regulation. Actions with respect to minimum producer prices in the Federal order markets, although exempt from the provisions of the General Maximum Price Regulation, nevertheless were circumscribed by the existence of wholesale and retail price ceilings. Problems peculiar to Federal order markets therefore required especially close liaison between the War Food Administration and the Office of Price Administration.

Bulk sales of fluid milk and cream (that is, milk or cream which was not sold in glass or paper containers) were brought under control by Temporary Maximum Price Regulation No. 22 as of October 5, 1942, and later by the permanent order, Maximum Price Regulation No. 280. The "freeze" period for these orders was the week of September 28 to October 2, 1942.

There was some question in dairy trade circles whether or not sales of bulk milk made by bargaining and handling cooperatives, country receiving stations, and other handlers were frozen by TMPR 22. By omitting this type of transaction from the exempt types defined in Amendment 6 to TMPR 22, effective November 30, 1942, OPA settled the question for a time -- they were frozen. Very quickly it was evident, however, that the freezing of the delicately balanced prices of interhandler sales of bulk milk hampered the normal flow of milk between markets and impeded the movement of milk to shortage areas. Thereupon, by Amendment 3 to MPR 280, which became effective on December 21, 1942, price regulation of bulk sales was limited to sales to stores, hotels, restaurants, and institutions. Excepting for a very brief period, therefore, interhandler sales of bulk milk were free from price control.



Price changes which took place between the March freeze period on packaged cream and the October freeze period on bulk cream created some problems; this is indicated by footnotes 5 and 6 to table 5. Other bulk sales of cream at wholesale (that is, sales not made to stores, hotels, restaurants, and institutions) were not brought under price control until June 1946 under MFR 613. Action was taken at that late date because prices of uncontrolled bulk sales of cream became sharply inflated, particularly after the restrictions on the butterfat content of fluid cream were removed on September 1, 1945.

### Producer Sales to Handlers

Producer sales of milk for resale as fluid milk first came under price regulation in February 1943 under MFR 329 (table 5). This action was taken because increased costs of producer milk were exerting serious pressure upon the maximum wholesale and retail prices of fluid milk. The Statement of Considerations with respect to the issuance of MFR 329 said, in part: "The national office and regional offices of the Office of Price Administration have been flooded with petitions for individual adjustment from distributors, the volume and gravity of which emphasized the need for direct action." Prices were frozen at the highest price paid by a handler for milk delivered in January 1943, or at the price specified under the terms of any order, regulation, or license issued under the Agricultural Marketing Agreements Act of 1937, as amended, whichever was higher. Amendment 2 to the MFR 329, which was effective on March 20, 1943, permitted handlers in Federal order markets -- who had paid premiums over the minimum order prices in January 1943 -- to include such premiums in the maximum prices. Under an order issued by the OPA on May 5, 1943, handlers of fluid milk who bought supplies from producers outside of the area on which they drew normally were required to observe the price ceilings established in the outside territory.

It is not possible in this brief summary to discuss the many amendments which were necessary to keep prices of fluid milk in different markets in balance. Some general criteria which were basic to the adjustment of fluid milk and certain other commodity prices, however, are described in the pages which follow.

### Price Adjustments

In carrying out the terms of the Emergency Price Control Act and of subsequent Presidential orders, the Office of Price Administration functioned through a national office, eight regional offices, and numerous State and district offices. In general, adjustments of fluid milk prices for the larger cities and for areas were made by the national office in Supplemental Regulation 14 (later SR 14A) or amendments thereto. Under limited authority and definitely prescribed criteria, adjustments for other



Table 5.--Summary of OPA price regulations on sales of milk and cream for fluid use and on sales of milk and cream for manufacturing purposes

Regulation	Date	Base or "freeze" effective:	Description
1/		period 2/:	
GMPR	5-18-42	March 1942	Applied to retail sales of fluid milk and cream in glass or paper containers.
SR 14-GMPR	7-16-42	March 1942	Applied to retail (and later wholesale) sales of fluid milk in glass or paper containers. This order at first modified some of the maximum "freeze" prices which had been established for the New York Metropolitan Area. Later amendments modified prices of fluid milk and cream as well as prices of other dairy commodities in additional cities and regions. Wherever practicable the "freeze" maximum prices were superseded by dollars-and-cents maximum prices. Amend. 195 to SR 14, effective 7-15-43, removed from SR 14 all provisions except those relating to milk and milk products and redesignated the latter as constituting SR 14A.
Amend. 21 (to GMPR)	8-7-42	March 1942	Applied to wholesale sales of fluid milk and cream in glass or paper containers.
TPMR 22	10-5-42	Sept. 28-Oct. 2-42	Applied to wholesale "bulk" 3/ sales of fluid milk and cream. (Question as to whether bulk sales were covered was clarified by Amend. 6, effective 11-30-42. They were covered.) TPMR 22 was reissued as MPR 280, 12-3-42.
MPR 280 4/	12-3-42	Sept. 28-Oct. 2-42	Applied to wholesale "bulk" sales of fluid milk and cream (limited to sales to stores, hotels, restaurants, and institutions by Amend. 3, effective 12-21-42).
Amend. 77 (to SR 14)	12-12-42	March 1942	Applied to retail and wholesale sales of fluid cream sold at wholesale in glass and paper containers and sold at retail after the butterfat content was reduced to 19% or less to comply with Conservation Order M-259 (later WFO 13) issued by WPB on 11-25-42. Also granted an increase of 20 cents a gallon for light cream to cover additional costs 5/.

Table 5.—Summary of OPA price regulations on sales of milk and cream for fluid use and on sales of milk and cream for manufacturing purposes —Continued

Regulation	Date	Base or "freeze" period	Description
Amend. 2 (to MPR 280)	12-12-42	Sept. 28- Oct. 2-42	Applied to wholesale sales of "bulk" fluid cream sold at wholesale after butterfat content reduced to 19% to comply with Conservation Order M-259. No price increase was granted at this time on "bulk" sales. 6/
MPR 329	2-13-43	Jan. 1943	Applied to producer sales of milk for resale as fluid milk: "The maximum price for each grade of milk shall be the highest price each purchaser of 'milk' from a producer paid that producer for 'milk' of the same grade received during Jan. 1943 or the minimum producer's price established under the provisions of the Agricultural Marketing Agreement Act of 1937, as amended, whichever is higher."
MPR 612	6-17-46	Nov. 1945	Applied to purchases of manufacturing milk from producers. Ceilings were the average paying price in Nov. 1945 plus 40 cents per cwt. for milk of 3.5% butterfat. 7/ However, in Zone I (roughly the Middle West) for 3.5 milk there was a lowest maximum price of \$3 per cwt. and an overriding maximum price of \$3.20 per cwt. Zone II and Zone III limits were higher than Zone I.
MPR 613	6-17-46	May 1-15, 1946	Applied to bulk sales 8/ of commercially separated cream. Ceilings were the highest price per pound of butterfat charged by the "seller" during the base period of business. However, in Zone I (roughly the Middle West) there was a lowest maximum price of 63 cents and an overriding maximum price of 77 cents per pound butterfat. A carload freight differential from Chicago applied in Zone II. A handler purchasing cream from the first seller was allowed his customary markup during the freeze period.

Footnotes for table 5.

1/ Explanation of abbreviations:

- GMPR - General Maximum Price Regulation.
- SR - Supplementary Regulation (to GMPR).
- Amend. - Amendment
- TMPR - Temporary Maximum Price Regulation
- MPR - Maximum Price Regulation.

Initial regulations governing prices of sales of fluid milk and cream are here tabulated - the numerous amendments, for the most part, are omitted. Attention is called to the fact that GMPR also regulated the price of ice cream as well as a host of foods, other commodities, and services; and that TMPR 22, which was reissued as MPR 280, not only froze the price of "bulk" sales of fluid milk and cream at wholesale, but also the prices of manufactured dairy products and of a number of other food products.

2/ The maximum price was the highest price charged by each seller during the "freeze" period for milk or cream of the same grade, in the same type of container, delivered in the same way.

3/ Sales other than in glass or paper containers.

4/ TMPR 22 was revoked and reissued in permanent form as MPR 280.

5/ This increase was authorized to halt any abnormal diversion of butterfat from cream to butter that might have arisen because between March 1942, the base period for packaged cream, and Sept. 28 to Oct. 2, 1942, the base period for butter, the price of cream going into butter production had increased approximately 25 cents per gallon of 23% cream.

6/ It was decided that relief was not needed by sellers of bulk cream because they were free from price control until October 1942, and therefore had the opportunity to increase their prices in line with the price of cream used in the production of butter. However, the sellers contended that they had not raised the price of "bulk" cream because, had they done so, buyers would have switched from bulk to packaged cream. Whereupon, by Amend. 20 to MPR 280, effective May 19, 1943, a seller of "bulk" cream was permitted either to retain his established maximum price or to add 20 cents a gallon to the highest price charged in March 1942.

7/ In addition, the purchaser could add 1 cent per point for butterfat to his existing butterfat differential over or under the butterfat base upon which he purchased milk, gallonage basis - 4 cents per gallon; butterfat basis - 11.5 cents per pound butterfat.

8/ "A seller" included any person (other than a farmer) or processing plant that separated butterfat and skim milk from whole milk and sold the cream thus separated for commercial or fluid purposes. It included also any person or processing plant that resold commercially separated cream, whether or not the cream was separated by such person or processing plant. "A seller" also included any person who resold farm-separated cream, other than a butter manufacturer.

Compiled from OPA regulations.



cities and communities were made by the regional offices. These adjustments were the immediate responsibility of the regional administrator, the regional attorney, and the regional price executive. The national office made post-audits of the actions taken by regional offices.

The scope of authority delegated to OPA to make price adjustments became narrower as the battle against inflationary forces intensified. Under Amendment 34 to Supplemental Regulation 14 of General Maximum Price Regulation (effective September 26, 1942) regional offices had been granted authority to adjust maximum prices for fluid milk sold at wholesale or retail in any locality of under 100,000 population, excepting federally regulated markets. But under the hold-the-line order increases in retail prices affecting the cost of living, and beyond the minimum extent required by law (see pp. 13-14), could be made only with the approval of the Director of Economic Stabilization, and then only to aid in the effective prosecution of the war or to correct gross inequities. Because the national average of milk prices at the producer level was deemed to meet the requirements of the law, OPA was barred from making any upward price adjustments without the approval of CES. Later two directives (dated August 26 and November 4, 1943) of the Director of Economic Stabilization granted the following authority to the Price Administrator:

- (1) Under certain specified circumstances to increase fluid milk prices in communities having a population of not more than 25,000 to prevent or alleviate serious deficiencies in essential milk supplies, but increases in retail prices could not exceed 2 cents a quart over the prices prevailing at the time of the directives.
- (2) The Price Administrator could delegate this authority to his regional offices, provided that no regional office could increase the retail price in excess of 1 1/2 cent per quart over March 1942, or in excess of 1 cent per quart over the price prevailing at the time of the directives, without the prior approval of the National Price Administrator.

The authority granted by these directives was incorporated in the respective milk regulations by the following amendments: No. 59 to the GMPR, No. 5 to SR 14A (formerly SR 14), No. 12 to SR 15, No. 35 to MPR 280, and No. 14 to MPR 329. The aforementioned limitations of 2 cents and 1 cent a quart were determined in relation to October 4, 1943, the effective date of these amendments.

Petitions for price increases which originated in cities of more than 25,000 population were filed in the national office, but a regional office made the investigation and either recommended that a price increase be granted or denied. If an increase was recommended by a regional office and approved by the national office, a written request for the approval of the recommended increase was made to the Director of Economic Stabilization.

Price increases to alleviate local shortages could be granted only under these conditions:

- A. The commodity involved must aid directly in the war program or be essential to a standard of living consistent with the prosecution of the war;
- B. A shortage in the supply of such commodity in a particular locality must exist or threaten to exist;
- C. Price adjustments must be capable of substantially reducing or eliminating the local shortage;
- D. The adjustment must not create or tend to create a shortage or a need for increase in prices in another locality;
- E. The shortage must be of a type that cannot be met by an amendment of general application; and
- F. Adequate alternatives to price adjustments cannot be made available in sufficient time. 4/

Local shortage adjustment provisions applied to fluid milk but not to fluid cream because it was held that fluid cream did not meet the requirements of criterion A. In an unpublished report the Chief Counsel of the Milk, Cream, and Ice Cream Section of OPA stated: "The only marketwide adjustments which were made in fluid cream were made in SR 14 for Minneapolis-St. Paul area and the Washington, D. C. - Alexandria, Virginia area. These were the only marketwide adjustments made in fluid cream prices and the office then stopped making such adjustments." 5/ After the termination on September 1, 1945, of War Food Order No. 13 (tables 5 and 13), however, numerous requests were received by OPA for adjustments of maximum prices of fluid cream, both light and heavy. Provisions for such adjustments were made under Amendment 46 to SR 15, effective on Feb. 12, 1946.

#### OPA and WFA

OPA and WFA necessarily had to work closely together with respect to price control and rationing of agricultural products. The chief responsibility of the OPA was, through price control, to stabilize the domestic war-time economy; the chief responsibility of WFA was to bring about adequate production of essential foods and fibers and to channel the manufacture of a raw product, such as milk, into those manufactured products which were most

---

4/ Field Price Instruction No. 30, Office of Price Administration, April 1, 1943.

5/ Sheiner, Leo. History of Milk and Cream Price Control. p. 8 December 1945. (Unpublished memorandum.)



needed in the war effort. The War Food Administration, therefore, was vitally concerned with the price structure of milk and dairy products in all areas of the country, but the responsibility of this agency with respect to the Federal order markets was unique.

The Emergency Price Control Act provided that no price action might be taken with respect to any agricultural commodity without the prior approval of the Secretary of Agriculture. However, CFA council had ruled that milk sold by handlers was a processed commodity, not an agricultural commodity. Hence, prior to July 1, 1945, only price actions related to maximum prices for purchases of milk from producers for resale as fluid milk were submitted for the approval of the Secretary of Agriculture despite the importance to the War Food Administration of maximum prices for sales by milk handlers. By amendment (July 1, 1945) to the Emergency Price Control Act it became mandatory that any price action with respect to any food or feed product processed or manufactured in whole or substantial part from any agricultural commodity (excepting individual price adjustments) be approved by the Secretary of Agriculture.

#### The Pricing Problem in Small Cities and Villages

After the general directives of OES with respect to local shortage adjustments were established, it became apparent both to CFA and to WFA officials that the price relief permitted by these directives was not adequate to prevent or correct milk shortages in communities of 2,500 or less; that is, in small cities and villages which usually were serviced by producer-handlers. In many cases these handlers did not file protests with CFA, but, when the "squeeze" under the March 1942 freeze prices became too severe, they simply liquidated their businesses and turned to more profitable activities. Consequently, their communities were without an adequate supply of milk.

Officials of WFA in a detailed memorandum recommended that this mounting problem be met by establishing, for these smaller communities, a series of "dollars-and-cents" prices to replace the heterogeneous March 1942 freeze prices. To fit production and price conditions in various areas of the country, some 150 such specific price series were proposed by the War Food Administration. Although some of the economists in CFA favored these recommendations, or had prepared somewhat similar proposals, the price administrators and attorneys of CFA ruled against the establishment of specific prices at higher levels. Among the reasons for their decision was that they lacked proper authority (these were problems of production not of diversion) <sup>6/</sup>; that few producer-handlers had filed petitions

---

<sup>6/</sup> The OES directive of August 26, 1943, stated in part: "[This Directive] does not, therefore, authorize general price increases, nor increases designed to promote milk production . . . Price adjustments are not the instruments to be used in dealing with basic changes in demand and supply that call for general encouragement of production and for direct measures to assure an equitable and effective distribution of milk supplies."



for relief; that quantitative evidence of serious shortages in these communities was not at hand; and that such a far-flung program of specific prices would be very difficult to administer and enforce.

OPA, however, recognized that special price adjustments in small cities and villages were necessary and petitioned the Office of Economic Stabilization for increased authority. It was not until November 28, 1945, that additional authority was granted under Directive 89. This directive authorized the National Administrator of OPA to adjust milk prices in communities of 2,500 or less to correct a shortage in essential milk supplies regardless of the cause for such a shortage. Increases up to 3 cents a quart over the October 4, 1943, price were permitted. Authority granted under Directive 89 could be delegated to regional offices in writing.

#### No Upward Adjustments in General Producer Price Level

It became very evident in the fall of 1943 that, because of increasing costs of production, prices of milk at the producer level were not high enough to bring out the large volume of milk production that was needed to meet civilian and war requirements. After several conferences between OPA, WFA, and OES, the latter agency came to the decision that subsidy payments were to be used in lieu of increases in producer prices (see footnote 6). The subsidy programs are discussed in a later section.

#### Producer Sales to Manufacturers

Turning again to table 5 we may note that purchases of manufacturing milk from producers, like bulk sales of commercially separated cream, did not come under price control until MPR 612 was issued on June 17, 1946. The base period specified in this regulation was November 1945. The control of prices of manufactured dairy products had kept the prices of manufacturing milk relatively stable during the war years, but in the spring of 1946 prices of milk delivered to condenseries rose rather sharply, thereby narrowing the margin between prices of milk for manufacturing purposes and for fluid use. This development and other price maladjustments accounted for the issuance of MPR 612. It was in effect for only 2 weeks when all price controls were suspended.

#### Fluid Milk Prices Under OPA Regulation

The data which are shown in table 6 were prepared to indicate, for certain widely separated cities, the stabilizing effects (from 1943-45) of OPA regulations on prices of fluid milk both at the producer and consumer level. These prices, however, do not include subsidy payments. In 1945, for example, the average subsidy paid to producers was about 60 cents per hundredweight. Had this addition to the producer price been passed on to consumers, as in normal times, the retail prices per quart, in 1945, would have averaged about 1 1/2 cents higher than those shown in table 6; and the

Table 6.—Producer and consumer prices for fluid milk in specified Federal order markets, prior to and under OPA regulations, 1939-46

Year	Average price paid producers			Retail price for "standard" milk		
	for milk for fluid consumption			delivered to homes 1/		
	Boston 2/	Minneapolis: St. Paul 3/	Louisville: 4/	Boston	Minneapolis	Louisville
	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Cents per qt.	Cents per qt.	Cents per qt.
1939	1.85	1.52	1.82	13.3	11.1	12.7
1940	1.92	1.62	2.05	13.2	10.5	12.8
1941	2.27	2.00	2.44	13.7	12.1	14.1
1942	2.69	2.46	2.90	15.0	12.2	15.0
1943 5/	3.27	2.98	3.63	15.7	13.0	15.8
1944 5/	3.32	3.00	3.64	16.0	13.0	16.0
1945 5/	3.39	3.04	3.60	16.0	13.0	16.0
1946 5/	4.18	3.89	4.43	18.2	15.1	18.0

1/ "Standard" refers to the grade of milk commonly sold in each market.

2/ Producers' blended price (191-200 mile zone to June 1945, 201-210 mile zone thereafter) for 3.7 percent milk under Federal Order No. 4.

3/ Weighted average composite price for 3.5 percent milk paid to members by the Twin Cities Milk Producers' Association.

4/ Producers' blended price for 4 percent milk under Federal License No. 60 and Federal Order No. 46.

5/ Subsidy payments are not included.

transition to higher postwar unregulated prices would have been less drastic. The price increases in 1946 reflect the fact that price controls and subsidies for milk and dairy products were discontinued on June 30, 1946.



## VII - PRICE REGULATIONS - MANUFACTURED PRODUCTS

### The Freeze on Prices of Manufactured Products

Under TMR 22, reissued in permanent form as MPR 280, December 3, 1942, not only were bulk sales at wholesale, of fluid milk and cream (to stores, hotels, restaurants, and institutions) frozen at their highest price for the period September 28-October 2, 1942, but the same freeze period also applied to prices of butter, cheese, condensed and evaporated milk, powdered milk, casein, salted milk powder, and any other product (except ice cream) processed or manufactured from cow's milk and composed of milk ingredients constituting more than 50 percent by weight or volume.

Prices for ice cream, and for frozen products which contained 50 percent or less of milk products, were originally established under the General Maximum Price Regulation, but ice cream mix and similar products which contained more than 50 percent of milk products came under MPR 280 along with other manufactured products. Ice cream was not grouped with the other dairy products because it is highly perishable and because it usually is manufactured locally from a variety of formulae which are reflected in a wide range of prices. Throughout the period of price regulation, ice cream prices were based upon the freeze prices of the base period (March 1942); that is, no dollars-and-cents pricing was attempted.

### Specific Dollars-and-Cents Maximum Prices

Specific dollars-and-cents prices for some of the dairy products whose prices were frozen under TMR 22 and MPR 280 were established on December 30, 1942, under MPR 289. In tables 7, 8, 9, 10, and 11, prices established under this regulation and under its amendments are summarized, respectively, for creamery butter, Cheddar and processed Cheddar cheese, evaporated milk, condensed milk, and bulk powdered skim milk and buttermilk. Explanatory material is provided in the footnotes. The products covered in table 7 to 11 were selected not primarily because they are the leading manufactured dairy products, but because their prices enter into milk-pricing formulae established under most Federal milk orders and are basic to the pricing schemes in many other fluid milk markets.

### Federal Orders and Prices of Manufactured Products

The price of butter was "rolled back" 5 cents a pound for all grades and in various cities by Amendment 15 to MPR 289. This reduction was not reflected in lowered returns to producers because a subsidy of 5 cents per pound of butter manufactured was paid to creameries for distribution to producers.

Table 7.--Creamery butter: OPA maximum prices for sales by a creamery of bulk butter of indicated grade delivered in Chicago, New York, or San Francisco 1/

Grade and market	MPR 289 : 12/30/42 : 2/	MPR 289 : Amend. 4 : 2/16/43 3/	MPR 289 : Amend. 15 : 6/4/43 4/	RMPR 289 : Amend. 39 : 11/1/45	RMPR 289 : Amend. 55 : 6/17/46 5/
	<u>Cents</u> <u>per lb.</u>	<u>Cents</u> <u>per lb.</u>	<u>Cents</u> <u>per lb.</u>	<u>Cents</u> <u>per lb.</u>	<u>Cents</u> <u>per lb.</u>
AA (93 score)					
Chicago		46.50	41.50	46.50	56.50
New York		47.25	42.25	47.25	57.25
San Francisco		48.00	43.00	48.00	58.00
A (92 score)					
Chicago	(46.00)	46.00	41.00	46.00	56.00
New York	(46.75)	46.75	41.75	46.75	56.75
San Francisco	(48.00)	47.50	42.50	47.50	57.50
B (90 score)					
Chicago	(45.50)	45.75	40.75	45.75	55.75
New York	(46.25)	46.50	41.50	46.50	56.50
San Francisco	(47.50)	47.25	42.25	47.25	57.25
C (89 score)					
Chicago	(44.50)	45.25	40.25	45.25	55.25
New York	(45.25)	46.00	41.00	46.00	56.00
San Francisco	(46.50)	46.75	41.75	46.75	56.75

1/ Sales by a creamery included: A sale to any purchaser on the basis of f.o.b. the creamery or place of manufacture; a sale for delivery to a primary distributor, jobber, or retailer distributing warehouse; a sale in carload lots to any purchaser or combination of purchasers. Markups (which applied to any grade) over prices for bulk butter also were provided under MPR 289. The size of the markup depended on the type and size of package. For instance, under Amend. 4, effective Feb. 16, 1943, the markup for 1/2 lb. and 1 lb. parchment-wrapped butter, in cartons, was 1 3/4 cents a pound; but for chiplets, butterettes, etc., it was 3 1/2 cents a pound. Under Amend. 11, effective April 2, 1943, each of these markups (as well as others not mentioned here) was reduced 1/2 cent a pound. This same amendment established:

- a. Selling prices by a primary distributor as prices for sales by a creamery plus 1/4¢ per lb. for sales of 20,000 lbs. or more
  - 1/2¢ per lb. for sales of less than 20,000 lbs.
  - 3/4¢ per lb. for sales of less than 20,000 lbs. where before such sale the primary distributor received physical possession of the butter and stored it in a warehouse or in his place of business.
- b. Selling prices by a jobber as prices for sales by a creamery plus
  - 2 3/4¢ per lb. for deliveries of 1-200 lbs. inclusive
  - 2 1/2¢ per lb. for deliveries of 201-500 lbs. inclusive
  - 2 1/4¢ per lb. for deliveries of 501-1500 lbs. inclusive
  - 3/4¢ per lb. for deliveries of 1501-5000 lbs. inclusive

Under Amend. 22, effective November 4, 1943, the jobber markups were reduced to 2, 1 3/4, 1 1/2, and 3/4 cents. Jobber markups were permissible only if delivery was made to the physical location of the purchaser and if the quantity sold did not exceed 5,000 pounds. Special provisions also were made for sales of butter to the United States Government.

Continued

Footnotes for table 7 - Continued.

2/ Previous to Dec. 30, 1942, TMR 22, effective Oct. 5, 1942, and reissued as MPR 280, Dec. 3, 1942, had frozen the price of butter for each individual seller at the highest prices which prevailed during the base period - Sept. 28, 1942, to Oct. 2, 1942. MPR 289, effective Dec. 30, 1942, replaced these prices at processor and wholesale levels with a formula price, namely "base price plus or minus the differential which the trader used during September and October 1942." Prices in parentheses in this column were "base" quotations; the price differential allowed individual traders was the difference, plus or minus, in cents or fractions thereof between the price of an actual sale of butter on any day during September and October 1942 and the "base" market quotation for the same day.

3/ Maximum prices were also established for certain other cities and for certain States or portions thereof. In some States maximum prices were based on maximum prices at Chicago, New York, Fort Worth, etc., plus or minus adjustments for transportation. Transportation charges were the lowest published carlot freight rates per pound gross weight from the place to Chicago, New York, Fort Worth, etc., multiplied by 1.15.

4/ The roll-back amendment. To offset the roll-back, a subsidy payment of 5 cents a pound was paid by the Defense Supplies Corporation to manufacturers for butter manufactured after June 1, 1943. This double action decreased the price to consumers but maintained the return to creameries at the same level as had existed previously. The subsidy was terminated October 31, 1945, and ceiling prices were raised 5 cents a pound on November 1, 1945, under Amendment 39.

5/ Amendment 55 increased butter prices 10 cents a pound and (to allow for storage costs) also established monthly increases for deliveries of butter as follows:

August	- 3/8¢ per pound
September	- 3/4¢ " "
October	- 1 1/8¢ " "
November	- 1 1/4¢ " "
December	- 1 3/8¢ " "
January	- 1 1/2¢ " "

Compiled from UPA regulations. Maximum prices for "cooking grade" and "no grade" not shown.



Table 8.---Cheddar and processed Cheddar: OPA maximum prices for sales delivered by manufacturers in Wisconsin 1/

Style	Weight	Maximum moisture	: MPR 289 : MPR 289 : MPR 289 : RMPR 289 : RMPR 289 : RMPR 289 : RMPR 289		: Amend.29 3/ : Amend.42 : Amend.44 : Amend.50 : Amend.55		: 1/1/46 : 2/1/46 : 4/1/46 : 6/17/46		Cents per lb.		Cents per lb.		Cents per lb.	
			Pounds	Percent	Gents per lb.	Gents per lb.	Gents per lb.	Gents per lb.	Gents per lb.	Gents per lb.	Gents per lb.	Gents per lb.	Gents per lb.	Gents per lb.
Cheddars, Twins & Larger Flats	70	4/39	23.25	23.25	23.25	23.25	23.25	23.25	23.25	23.25	23.25	23.25	23.25	23.25
Double Daisies	35	4/39	23.50	23.50	23.50	23.50	23.50	23.50	23.50	23.50	23.50	23.50	23.50	23.50
Triple Daisies	44	39	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75
Single Daisies	66	39	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75	23.75
Longhorns	22	39	24.00	24.25	24.25	24.25	24.25	24.25	24.25	24.25	24.25	24.25	24.25	24.25
Young Americas	12	39	24.00	24.25	24.25	24.25	24.25	24.25	24.25	24.25	24.25	24.25	24.25	24.25
Picnics & Midgets	12	39	24.00	24.25	24.25	24.25	24.25	24.25	24.25	24.25	24.25	24.25	24.25	24.25
Square Prints	10	39	24.25	24.50	24.50	24.50	24.50	24.50	24.50	24.50	24.50	24.50	24.50	24.50
Natural Loaf & Smaller	5	39	24.25	24.50	24.50	24.50	24.50	24.50	24.50	24.50	24.50	24.50	24.50	24.50
Processed Cheddar	1/2 lb. or less		29.75	29.75	29.75	29.75	29.75	29.75	29.75	29.75	29.75	29.75	29.75	29.75
Processed Cheddar	Over 1/2 to 2 lbs. incl.		28.25	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00
Processed Cheddar	Over 2 lbs.		27.25	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00

1/ Maximum prices were delivered prices at any place in Wisconsin. For delivery outside Wisconsin a "transportation factor" was added. Cheese sold f.o.b. cheese factory or assembler's plant was to be considered "delivered." Prices applied to unparaffined, ungraded, bulk Cheddar cheese of 39 percent or less moisture content, packed in boxes; minimum fat content 50 percent. Processed cheese prices applied to graded and packaged cheese. A charge of 1 cent per pound could be added to given maximum prices if cheese was assembled by an "authorized cheese assembler," reduced to 3/4 cent on other than set-aside cheese by Amend. 26, Feb. 29, 1944.

Footnotes for Table # - Continued

2/ TFR 22, effective October 5, 1942, and released as MFR 280, December 12, 1942, froze prices of manufactured dairy products at the highest levels that existed during the period September 28 to October 2, 1942. This action froze the price of Cheddar cheese below its normal relation to the prices of most other dairy products, but in view of the hold-the-line policy the maximum price of Cheddar cheese was not raised to its normal relationship when dollars-and-cents prices were established under MFR 289. Therefore, to promote an adequate production of cheese, a cheese subsidy program was in effect from Dec. 1, 1942, to Jan. 31, 1946, under which the CCC bought Cheddar cheese from manufacturers at from 3.75 to 4.0 cents a pound (depending on moisture content) above the relatively low maximum price and sold it back at the maximum price. (Amend. 28, effective March 1, 1944, permitted assemblers to charge the U. S. Government 3.8 cents per pound higher than the maximum prices otherwise established to provide for the recapture of subsidy payments by the CCC.) On Jan. 31, 1946, the subsidy was removed and on Feb. 1, 1946, maximum prices were raised to 27 cents a pound for Cheddar, etc., (Amend. 44) to offset subsidy removal.

3/ Provided increase in maximum prices of small styles and an allowance of 2.25 cents per pound for small styles aged at least 6 months.

4/ A table of higher maximum prices for low moisture cheese was provided under Amendment 10 (Apr. 2, 1943) for Cheddars, Ivins, and larger, and under Amendment 19 (Aug. 4, 1943) for flats. These prices increased 19 cents per pound for each .5 percent, or fraction thereof, decrease in moisture content, ranging from "over 37.2% but not over 37.7%" to 33.2% or less.

5/ After July 1, 1946, these cheese prices could be increased 2 cents per pound for cheese aged 6 months or more.

6/ By this amendment the date specified in footnote 5 was moved up from July 1 to Apr. 1, 1946.

Compiled from OPA regulations.

Table 9.---Evaporated milk: OPA maximum prices for sales and deliveries of manufacturers, delivered to the buyer's customary receiving point in Zone I 1/

Description	: MPR 289 2/		: MPR 289		: MPR 289		: RMPR 289		: RMPR 289	
	: 12/30/42		: Amend. 1		: Amend. 24		: Amend. 29		: Amend. 54 3/	
	: 1/16/43		: 12/21/43		: 3/25/44		: 5/20/46		: 6/17/46	
	Dol. per case		Dol. per case		Dol. per case		Dol. per case		Dol. per case	
Regular Pack										
Carlots:										
48-14 1/2 oz. cans 4/	4.10		4.10		4.10		4.35		4.70	
48-6 oz. cans	2.05		2.05		2.05		2.30		2.35	
L.c.l. 5/										
48-14 1/2 oz. cans 4/	4.15		4.15		4.15		4.40		4.75	
48-6 oz. cans	2.075		2.075		2.075		2.325		2.375	
British Standard 6/										
Carlots:										
48-14 1/2 oz. cans 4/	4.60		4.60		4.60		4.85		5.20	
48-6 oz. cans	2.30		2.30		2.30		2.55		2.60	
L.c.l. 5/										
48-14 1/2 oz. cans 4/	4.65		4.65		4.65		4.90		5.25	
48-6 oz. cans	2.325		2.325		2.325		2.575		2.625	

1/ Zone I roughly included the area between the Appalachian and Rocky Mountain ranges. Prices in Zone 2, the Northeast, and Zone 3, the far West, were 10 cents per case higher than in Zone 1. Sales to U. S. Government made f.o.b. the manufacturers plant or warehouse were considered to be delivered to the buyer's customary receiving point.

2/ Under TMR 22, effective on October 5, 1942, and reissued as MPR 280 on December 3, 1942, the prices of evaporated milk were frozen for each individual seller at the highest prices which prevailed during the base period September 28 to October 2, 1942. MPR 289 effective December 30, 1942, replaced these prices with specific dollars-and-cents prices.

3/ Maximum prices on sales to the U. S. Government were 10 cents a case lower, but applied f.o.b. plant or warehouse.

4/ Same maximum prices applied to cartons containing, respectively, 96 - 6-oz. cans and 6 - 8-lb. cans. Effective on March 25, 1944, maximum prices for export pack containing 48 - 13-oz. cans were established at 25 cents per case less than 48 - 14 1/2-oz. case. By Amendment 54 the differential was reduced to 20 cents.

5/ L.c.l. sales by a manufacturer which were delivered to a retail store or physical premises of a food processor were maximum prices for carlots plus 15 cents for full cartons and 7 1/2¢ for half cartons.

6/ Met higher standards for fat and total milk solids set by British Food Ministry.

Compiled from OPA regulations



Table 10.—Condensed milk, whole and skim: OPA maximum prices for sales by processors, f.o.b. plant  $\frac{1}{2}$

Kind	Composition $\frac{2}{2}$		MFR 289-Amend. 30 $\frac{1}{2}$		MFR 289-Amend. 7 $\frac{1}{2}$	
	Milk	Milk	Wooden	Other	Wooden	Other
	fat	solids	barrels	barrels	barrels	barrels
Percent	Percent	Percent	(Cents per liquid Dollars round)		(Cents per liquid Dollars round)	
Plain condensed skim	0	29	0	4.06	4.06	4.06
Superheated cond. skim	0	29	0	4.39	4.39	4.39
Plain condensed milk	8	22	0	8.28	8.28	8.28
Superheated cond. milk	8	22	0	8.61	8.61	8.61
Sweetened cond. skim	0	29	42	8.08	8.08	7.33
Sweetened cond. milk	8 $\frac{1}{2}$	19 $\frac{1}{2}$	42	12.28	12.28	11.53
Canned sweetened cond. milk (carload lots)	8 $\frac{1}{2}$	28	42	6/6.25	6.25	6.25

$\frac{1}{2}$  Prices under Amend. 30 MFR 289 applied in any State, whereas prices shown under Amend. 7, MFR 289, applied in Zone A (by this amendment Zone A comprised all States not included in Zone B; Zone B included Maine, N.H., Vt., Mass., N.J., Conn., N.Y., Penna., Md., D.C., Va., and W. Va.).

$\frac{2}{2}$  Exclusive of moisture.

$\frac{1}{2}$  MFR 22, effective on Oct. 5, 1942, and relapsed as MFR 280, effective on Dec. 3, 1942, had frozen the price of manufactured dairy products at the individual seller's highest Sept. 28-Oct. 2, 1942, level. Amend. 30, MFR 289 placed condensed milk, whole and skim, under specific dollars-and-cents ceilings. It provided that maximum prices on plain and superheated condensed skim milk be adjusted by adding or deducting \$.0014 per pound for each change of 1% in the composition percentage of milk solids not fat in the finished product. The maximum prices for the other products were to be adjusted up or down by the amounts stated in the tabulation below for each change of 1% in the composition percentage:

Ingredient	
	Adjustment per pound
Milk solids not fat	\$.00145
Milk fat	.0065
Sugar	.0006

$\frac{1}{2}$  In containers (except wooden bbls.) and in tank cars or tank trucks.

$\frac{1}{2}$  48-64 oz. cans.

6/ This amendment provided that if prices for canned sweetened condensed milk under the March 1942 freeze were higher than those established by this amendment, the old prices could continue in effect to civilian purchasers. Prices for cartons could be adjusted for variation in the composition percentage or net weight as follows:

Composition

Milk fat for each 1/2% variation

Milk solids not fat for each 1% variation

Sugar, for each 1% variation

Per carton of 48 cans

14¢

(add)

6¢

(add or deduct)

2 1/2¢

(add or deduct)

Compiled from OPA regulations.

Table 11.—Bulk powdered skim milk and buttermilk for human consumption: OPA maximum prices for sales and deliveries of manufacturers and wholesalers in Zone A 1/

Description 1/	MFR 289 1/	MFR 289 2 4/	MFR 289 3	MFR 289 4	MFR 289 5
	(12/30/42)	(2/6/43)	(2/6/43)	(10/19/43)	(2/26/44)
	Cents per lb.	Cents per lb.	Cents per lb.	Cents per lb.	Cents per lb.
<b>Spray powder</b>					
Sales to U. S. Govt. by -					
Manufacturers, f.o.b. plant	14.50	14.50	14.50	14.50	14.50
Wholesalers	15.50	15.50	15.50	15.50	15.50
Mfrs. & wholesalers, f.o.b. plant					
Sales to other than U. S. Govt. by -					
Manufacturers & wholesalers 1/	15.50	15.50	15.50	15.50	15.50
Carload lots					
25 tbs. or more, l.c.l.					
5-24 tbs., l.c.l.					
1-4 tbs., l.c.l.					
<b>Roller powder</b>					
Sales to U. S. Govt. by -					
Manufacturers, f.o.b. plant	12.50	12.50	12.50	12.50	12.50
Wholesalers	13.50	13.50	13.50	13.50	13.50
Mfrs. & wholesalers, f.o.b. plant					
Sales to other than U. S. Govt. by -					
Manufacturers & wholesalers 1/	13.50	13.50	13.50	13.50	13.50
Carload lots					
25 tbs. or more, l.c.l.					
5-24 tbs., l.c.l.					
2-4 tbs., l.c.l.					

1/ Zone A included all States not included in Zone B. - Zone B was comprised of the following States: Pennsylvania, New York, Maryland, Delaware, New Jersey, Connecticut, Massachusetts, Rhode Island, New Hampshire, Vermont, Maine, and the District of Columbia. Later, four instead of two Zones were created under Amend. 2. Prices in Zones B, C, and D were higher than in Zone A, which included the North Central States.

2/ Prices pertained to bulk goods packed in barrels double crepe-lined. These prices were to be increased by 1/2 and 1 cent for bulk powdered skim milk packed, respectively, in customary 95- and 50-pound containers. The 1/2 cent a pound differential was extended to 100 pound containers by Amend. 5, effective March 20, 1943.

Continued



3/ Under TMRP 22, effective Oct. 5, 1942, (and reissued as MPR 280 on Dec. 3, 1942), the prices of dairy products, including dried skim milk and buttermilk, were frozen at the highest levels per individual seller which prevailed during the base period Sept. 28, 1942, to Oct. 2, 1942. Under MPR 289, effective Dec. 30, 1942, these prices were replaced with specific dollars-and-cents prices.

Note: Maximum prices for sales and deliveries of consumer-size packages to the wholesale and chain store warehouse trade and to commercial, industrial, institutional, and Government users were established by Amend. 9, effective Apr. 12, 1943. Zone A prices of indicated weights were as follows:

7 oz. - \$1.08 per doz. packages (spray process)  
 12 oz. - \$1.78 per doz. packages (spray process)  
 16 oz. - \$2.34 per doz. packages (spray process)

4/ Set maximum prices for less than carload lots. Previous to this amendment, prices were for any amount.

5/ No further changes to June 30, 1946.

6/ Redesignated and combined as "manufacturers and wholesalers f.o.b. plant."

7/ Under the original order a discount of 5 percent from given prices was allowed on "deliveries to wholesalers"; by Amend. 2 the discount was reduced to 3 percent.

If the maximum price of butter after the roll-back--41 cents per pound for Chicago 92 score butter, for example--had been used in the pricing formulas under Federal milk orders, producers supplying the regulated areas would have received relatively low prices in comparison with the returns for manufacturing milk, and graded milk might have been diverted to manufacturing outlets. There was a similar problem with respect to cheese (table 8, footnote 2). At times, because no sales were reported, difficulties were encountered by the Market News Service in reporting market prices of certain dairy products. This raised the possibility that price quotations needed in the formulas for milk prices in Federal order markets might be unavailable from time to time. The various Federal milk orders were amended, effective June 21, 1943, to authorize the market administrators to add the amount of any subsidy to the prices specified by the orders, or to use a maximum price or the equivalent of a specified price when the specified price was not available.

Through the use of this emergency provision, together with special provisions in CFA price regulations, the pricing mechanisms in effect in the respective Federal order markets were integrated under the over-all war program for milk and dairy products.

## VIII - DAIRY SUBSIDY PROGRAMS

### The Several Subsidies

Some reference to subsidy payments already has been made. An unprecedented volume of milk was needed to fulfill the greatly expanded war-time requirements for dairy products. Costs of producing milk were rising sharply, yet ceiling prices for milk and dairy products had to be maintained. To stimulate production of milk or of essential dairy products and at the same time "hold the line" on retail prices of fluid milk and of butter, cheese, etc., certain consumer subsidy programs (which required the approval not only of the Secretary of Agriculture but also of the Director of Economic Stabilization) were put into effect. The nature and cost of the respective subsidies are summarized in table 12. With the exception of the butter subsidy, the programs were financed through funds of the Commodity Credit Corporation, but disbursements were made through several agencies authorized by this Corporation.

### Special Subsidies in Some Federal Order Markets

The fluid milk marketing subsidy program was the only one which was not national in scope. It applied in several Federal order markets and some secondary markets where higher Class I prices became effective following the freeze on prices of retail and wholesale bottled milk. Handlers were offered (under paper transactions of purchase and resale by the CCC) the adjusted producer ceiling prices for their milk and an opportunity to buy it back at a lower price, that is, at the maximum which the handlers could pay under existing retail ceilings. Rates of payment varied by markets, having an average range of 20 to 40 cents per hundredweight. Decreases in costs of distribution incident to the milk economies order, WFO-11 (see table 13) were considered in establishing the spread between purchase and resale prices. The reader may note that each subsidy was instituted for a different immediate reason but that they all had the same ultimate objective, namely, to maintain or increase production under established OPA maximum prices to consumers.

### Cost of Programs

The programs differed widely in annual and total cost but the dairy production payments in particular added substantial sums to the cash income of producers who were supplying urban markets with fluid milk and to those producers who were delivering milk or butterfat to the manufacturing plants in various areas of the country. The last column of table 12, shows that the total cost of this subsidy was more than 1.2 billion dollars. This amount was exceeded only by the Reconstruction Finance Corporation's



Table 11.—Subsidy programs for milk and manufactured dairy products in World War II

Program	Effective period	Range of rates	Disbursing agency and first registrant	Purpose of subsidy	Cost	
					Period	Amount
Cheedar cheese subsidy	Dec. 1, 1942, to Jan. 31, 1946	3.75 to 4 cents a lb. depending on moisture content.	Commodity Credit Corp. through Dairy Products Mktg. Assoc. to cheese manufacturers.	To prevent diversion of milk under relatively low ceiling prices for cheese.	Fiscal year:	\$11,437,554 26,101,634 18,472,810 1/11,613,911 \$67,625,909
					1943	\$ 2,719,720
					1944	8,897,342
					1945	12,902,735
Fluid milk marketing 3/	Apr. 8, 1943, to June 30, 1946	20 to 30 cents per cwt.	Commodity Credit Corp. through milk market administrators purchased milk at authorized producer prices and resold it to handlers at lower prices.	Under fixed wholesale and retail prices, to offset increases in producer prices in specified markets.	Fiscal year:	1/13,602,538 \$38,129,335
					1943	
					1944	
					1945	
Butter production payments	June 1, 1943, to Oct. 31, 1945	5 cents a lb.	Reconstruction Finance Corp. through Defense Supply Corp. to creameries producing 1,000 lbs. or more of butter per month. 2/	To offset rollback in retail price of butter.	Cal. year:	\$41,700,000 79,932,000 1/52,924,000 \$181,618,000
					1943	
					1944	
					1945	

See footnotes p. 44.

Table 12.--Subsidy programs for milk and manufactured dairy products in World War II - Continued

Program	Effective period	Range of rates	Disbursing agency and first recipient	Purpose of subsidy	Period	Amount	Cost
Dairy produc- tion payments:							
Whole milk	Oct. 1, 1943, to June 30, 1946	Weighted average 36.3 to 60.4 cents per cwt. <sup>4/5</sup>	Commodity Credit Corp. through County AAA Com- mittees to pro- ducers.	Production incentive under rising feed and other costs.	Fiscal year: 1944 1945 1946	\$153,136,335 532,253,665 1/519,271,888 \$1,204,661,888	5/
Butterfat	Oct. 1, 1943, to June 30, 1946	Weighted average 4.2 to 16.3 cents per lb. <sup>6/5</sup>	Commodity Credit Corp. through County AAA Com- mittees to pro- ducers.	Production incentive under rising feed and other costs.			
Total 7/						\$1,492,035,132	

1/ Adjusted for payments and repayments made after date of termination, including some as late as 1950. Some adjustments applied to years prior to the terminal year but it is not possible to segregate them.

2/ At one time or another the following marketing areas were under this program: Chicago, Duluth-Superior, Philadelphia, suburban Philadelphia, Schuylkill, Hazelton, Lehigh, Harrisburg, and York, Pa., Wilmington, Del., Baltimore, Md., Washington, D. C., Arlington-Alexandria, Va., Fort Wayne, Ind., Omaha-Council Bluffs, and the New York metropolitan area.

3/ Effective Oct. 1, 1943, all commercial producers of butter were eligible regardless of amount produced.

4/ Announced base rates for whole milk not only had an upward trend during the effective period but also varied by "sections" and by seasons. For example, the range by sections was 25 to 55 cents per cwt. for May and June 1945, in comparison with a range of 60 to 90 cents per cwt. for the Oct. 1945 to April 1946 period. In the latter period the 60-cent rate applied in the North Central States, also in Montana, Wyoming, and all but the northern "handle" of Idaho, and in Kentucky and all but the southwestern corner of Tennessee; the 90-cent rate applied in North Carolina, South Carolina, Georgia, and Florida; a 70-cent rate applied in the Southwestern States and in the Pacific States (with the exception of the Los Angeles milkshed, where the rate was 80 cents) and to Maine, New Hampshire, and Vermont, and to the Middle Atlantic States except New Jersey; in New Jersey, Massachusetts, and Rhode Island the rate was 80 cents. "Sections" therefore designated certain States or parts of States which were not always contiguous or necessarily homogeneous from one offering period of the Commodity Credit Corporation to the next. From

Continued

Aug. 5, 1944, to March 31, 1945, supplemental drought payments of 10 cents per hundredweight of milk or 1 cent per pound of butterfat were added to base rates in drought-stricken areas which extended diagonally from Maine to the eastern part of Texas.

5/ Total dairy production payments; that is, both on whole milk and butterfat deliveries.

6/ The rate of payment on butterfat deliveries was the same for all sections of the country for a specified offering period, but varied by periods and by seasons.

7/ In addition \$1,408,945 were paid to cooperatives to cover excess costs over sales prices under a program to move hay for dairy herd feeding to drought-stricken areas.

Compiled from records of the Dairy Branch, Production and Marketing Administration, and from p. 31 of a report of the Commodity Credit Corporation, entitled "Report of Financial Condition and Operations as of June 30, 1949," brought forward to Dec. 31, 1950, also from a Jan. 1951 mimeographed report of FMA entitled "Consumer Food Security Programs in World War II."



payment of more than 1.5 billion dollars to slaughterers to enable them to absorb a roll-back of 10 percent in meat prices ordered by OPA.

Through June 30, 1949, adjusted total payments for wartime food subsidies were:

By C.C.C.	\$2,101,957,000
By R.F.C.	<u>2,143,281,000</u>
Total	\$4,245,238,000

Of this amount, about 1.5 billion dollars, or more than one-third, was paid to the dairy industry.

Many dairy leaders and organizations were strongly opposed to subsidies. For instance, one of the resolutions adopted at the December 1944 annual convention of the National Cooperative Milk Producers' Federation reads as follows:

Subsidies vs. Direct Price Returns. Between 10 and 30 percent of dairy farmers' income now comes in the form of subsidies. The War Food Administration food subsidy extends to March 31. On June 30, Congress has decreed an end of all subsidies unless specifically enacted thereafter. The ceiling prices on dairy products set by OPA under powers granted by Congress have not been high enough to provide in themselves adequate prices to dairy farmers. The Federation continues its opposition to subsidies, but Federation consideration must be given to securing a continued adequate price for producers. This should be pressed for on a direct price basis unless Congress continues subsidies as a national policy, instead of a direct fair price program which is much to be preferred.

There is not much question that consumer ill will was engendered when, with the discontinuance of subsidies in June 1946, prices of milk and of dairy products rose quickly and sharply to higher levels.

## IX - SET-ASIDE, LIMITATION, AND ALLOCATION ORDERS

### The Tight Supply Situation

In the fall of 1942, or at the beginning of the period of offensive warfare it was quite evident that, without restrictions and controls, the potential demand for milk and dairy products would far outstrip the expected supply. Although milk production on farms had increased from 115 billion pounds in 1941 to about 119 billion pounds in 1942, some changes in utilization during the same period were as follows (all figures in terms of milk equivalent): Consumption of fluid milk and cream in cities and villages increased from 34.9 to 37.6 billion pounds; lend-lease and other purchases, from a total of 2.7 to 5.4 billion pounds; military purchases from about 2.4 to about 4.8 billion pounds; and the carry-over in stocks was reduced from about 5.4 billion to 3.9 billion pounds.

A production goal of 122 billion pounds of milk was established for the year 1943. The production goals committee, however, estimated that, assuming no rationing, total requirements for dairy products for the calendar year 1943 would reach 133.5 billion pounds of milk equivalent. This estimate included the following items:

Civilian use . . . . .	108.0	billion pounds
Lend-lease . . . . .	9.5	" "
Military . . . . .	9.0	" "
Relief . . . . .	1.0	" "
Commercial exports and shipments . . .	1.0	" "
Carry-over . . . . .	5.0	" "
	133.5	

Thus, a large deficit of milk (variously estimated from 7 to 9 billion pounds) was anticipated.

To meet the situation, measures were introduced to encourage greater production, to utilize more efficiently the milk supply by further increasing the volume of milk delivered to manufacturing plants in the form of whole milk rather than farm-separated cream, to channel manufacturing milk to products which were needed for the war effort, and to allocate the available supplies of dairy products according to essentiality of the needs of the various claimants.

### Measures to Promote Effective Wartime Utilization

Set-aside, limitation, and allocation orders for milk and cream, and for specified manufactured dairy products were instituted and administered chiefly by the War Food Administration in order to meet allocations

and to achieve effective utilization of the available supply of milk and its products (table 13). The set-aside orders were issued so that the Government would be able to purchase nonfat dry milk solids, butter, cheese, and evaporated milk to meet requirements for the armed services, lend-lease, and other claimants; otherwise these foods would have disappeared in domestic channels. The limitation orders either directly restricted the consumption of milk (WFO 79) or they restricted the use of milk or butterfat in products such as ice cream, fluid cream, and cheese foods, thus making more milk and butterfat available for more essential dairy products. For a time domestic supplies of casein and milk sugar were so limited that these products were allocated directly to the most essential uses.

To adjust the specific provisions of these orders (particularly the set-aside orders) to changing supply and requirement conditions, the War Food Administrator, with the assistance of an advisory Food Requirements and Allocations Committee composed of representatives of United States governmental agencies concerned with food programs, made quarterly and annual allocations, taking into consideration the recommended allocations of the Combined Food Board composed of representatives of the Governments of the United States, the United Kingdom, and Canada. The Combined Food Board recommended allocations on the basis of its knowledge of allied food resources and requirements.

Despite, and probably in part because of, the ramifications of this necessarily complex mechanism for allocation and procurement and because of other exigencies, such as unexpected changes in shipping conditions, maladjustments at times developed that created temporary as well as longer time problems for the dairy industry and those administratively responsible. On the whole, however, these national and international allocations and the various orders which were employed to effectuate them seemed the most desirable means of meeting the most essential civilian, military, lend-lease, and other wartime requirements for milk and dairy products.



Table 13.—Summary of set-aside, limitation, and allocation orders for milk and cream, and for manufactured dairy products, in effect during World War II and in the early postwar period

Product & /	Order number & /	Beginning date	General requirements of orders & /	Termination date & /
<u>Dryer nonfat dry milk solids</u> <u>Butter</u>	DA-1	11-5-42	Set-aside by manufacturers required.	5-31-43
	WFO M-267	11-20-42	Set-aside of storage stocks.	5/1-28-43
	WFO-12	1-29-43	Set-aside of storage stocks.	11-15-43
	(WFO-2	2-1-43	(Producers and authorized receivers of	9-1-45
	(WFO-2 6/	5-1-46	(butter required to set aside specified percentages of output.	5-16-47
<u>Ice cream</u>	WFO M-271	12-1-42	Temporary order restricting production in Dec. 1942 and Jan. 1943.	1-31-43
	WFO-8	2-1-43	Limited the use of milk solids in frozen dairy products.	9-1-45
<u>Milk marketing agreements</u>	WFO-11	2-1-43	Placed several restrictions on handlers in their disposition of milk and certain milk products.	11-1-45
	(WFO M-259	11-25-42	(Prohibited sale of cream containing more than 19 percent butterfat, except to a manufacturer of butter, cheese, or other foodstuffs or for use in supervised medical treatment.	2-2-43
<u>Fluid cream</u>	(WFO-13	2-3-43	(Foodstuffs or for use in supervised medical treatment.	9-1-45
	(WFO-149	7-1-46	Release of a limitation order on whipping cream.	11-20-46
	WFO-15	2-15-43	Required manufacturers to set aside Cheddar cheese for sale to designated agencies.	3-24-47
<u>Cheddar cheese</u>	WFO M-307	5-1-43	Allocated supply to different uses.	8-31-45
	Later M-300			
	WFO-54	6-1-43	Required manufacturers to set aside for sale to designated Government agencies spray and roller nonfat dry milk solids. (Superseded DA-1)	Partial suspension effective 8-31-45 terminated 10-25-46

Table 13.---Summary of set-aside, limitation, and allocation orders for milk and cream, and for manufactured dairy products, in effect during World War II and in the early postwar period  
- Continued

Product 1/ :	Order : number 2/ :	Beginning: : date :	General requirements of orders 3/ :	Termination : date 4/ :
<u>Fluid milk and cream</u>	WFO-79	9-10-43 Local orders at various dates.	Established milk sales areas, sales quotas, and quota periods for fluid milk, fluid cream, and milk byproducts. Base June 1943.	Suspension of sales quotas effective 8-1-45. Termination reporting provision most mkt's 9-21-45. Terminated 3-31-47. 9-1-45
<u>Cheese and cheese foods</u>	WFO-92	2-1-44	Restricted production of all types of cheese and cheese foods other than Cheddar, cottage, pot, and bakers. Restricted sales of dried milk products and compounds.	7-1-45
<u>Dried milk</u> (other than nonfat dry milk solids)	WFO-93	3-1-44	Allocated supply according to essentiality of use, including new large requirement as most dependable carbohydrate used in culture media for growth of Penicillium mold.	8-26-45
<u>Milk sugar</u>	WFO-95	4-1-44	Set-aside order.	10-25-46
<u>Evaporated milk</u>	WFO-148	5-31-46		

1/ As is indicated, set-aside orders for spray process nonfat dry milk solids and for storage butter, and limitation orders for fluid cream and for ice cream originated in the War Production Board in November or December 1942. Early in 1943 all food orders were transferred to the Department of Agriculture. Because casein was classified as an industrial product it remained under the War Production Board during the entire period of regulation.

2/ Prior to April 20, 1944, War Food Orders (WFO) were designated as Food Distribution Orders (FDO).

3/ To adjust to changing conditions, amendments to specific requirements of certain orders were made from time to time.

4/ Some orders were suspended months before their termination dates.

5/ Reissued as FDO-12.

6/ Reissued.

Compiled from WPF and WFA war food orders.

## I - RATIONING

### Method Used for Butter, Cheese, and Canned Milk

In a sense the set-aside orders were a form of rationing because, under these orders, the military and other essential war services were first claimants upon the total supply. If a product was in limited supply with respect to total requirements, the per capita civilian supply was based on estimated essential nutritional requirements rather than on normal or customary usage.

Direct rationing was the final step taken to promote equitable distribution of scarce supplies of certain dairy products among the civilian population of the United States. The need for rationing and its time and extent were determined by the War Food Administration, but the issuance and administration of rationing orders was the responsibility of the Office of Price Administration. Whenever the WFA informed the OPA that there was a significant change in the volume of civilian supplies of a particular commodity, rationing restrictions for the commodity were either relaxed or tightened, as the case might be.

The rationing of meats, edible fats and oils (including butter), cheese other than soft cheeses, and canned fish became effective at 12.01 a.m. March 29, 1943. "Point" values for cheese, butter, and oleomargarine, for that date are shown in table 14. For the entire meat, fats, fish, and cheese group, however, each consumer was entitled to only one basic allotment of 16 points per week (red stamp, War Ration Book Two). Consumers, therefore, distributed their "points" according to preference and family requirements. At times, the availability of a product, such as steak or butter, also was a factor. Evaporated and condensed milk were added to the group on June 2, 1943, and cream cheese and creamed cottage cheese (containing more than 5 percent butterfat by weight) were added on June 6, 1943.

Flexibility was effected by changing the point value of specific foods or by changing the length of time in which a red stamp was valid. To avoid waste, section 6.10 of Ration Order No. 16 provided that a retailer could sell, at lower point value, foods in imminent danger of spoilage if he reduced the money price of the food at least 25 percent below its ceiling price. Butter and cheese, on the other hand, often were in short supply in cities which were distant from the producing areas. In such situations, coupons could not be honored. In general, rationing did contribute to a more equitable distribution of the short supplies of dairy products than would have been the case without this control, but it was not fully successful in preventing maldistribution and "black market" operations.





Table 11.—Summary of consumer point values on all rationed dairy products and oleomargarine  
— Continued

Effective date	Rationed cheeses				Butter			
	Group I : American : 2/1	Group II : Cream and : 2/2	Group III : Other : 2/4	Group IV : Creamery : 2/3	Processed : 6/1	Farm : 6/2	Oleo- : margarine : 2/	Canned : milk : 2/
	Points per lb.	Points per lb.	Points per lb.	Points per lb.	Points per lb.	Points per lb.	Points per lb.	Points per lb.
1945								
Sept. 2	4	2	2	1	12	12	12	0
Sept. 12	0	0	0	0	12	12	12	0
Nov. 24	0	0	0	0	0	0	0	0

1/ Effective 12:01 a.m. of the date indicated. Each change was identified by an O.P.A. chart number.

2/ Effective June 6, 1943, "rationed cheeses" included any natural cheese (but not "cottage cheese" or "creamed cottage cheese" which contained 5 percent or less butterfat by weight) and any other edible product containing 30 percent or more, by weight, of natural cheese (other than cottage cheese, or creamed cottage cheese containing 5 percent or less butterfat by weight).

3/ Included cream, Neufchatel and creamed cottage cheese containing more than 5 percent butterfat by weight, effective June 6, 1943.

4/ Included Swiss, Brick, Munster, Limburger, Gouda, Edam, and similar cheeses and hard Italian varieties. A large number of specified soft or perishable cheeses were not included. Effective August 7, 1943, "why product" cheese (containing not more than 25 percent butterfat in the dry matter) and cheese made from other than cows' milk were excluded, but effective September 2, 1944, the butterfat limit for "why product" cheese was reduced to 10 percent.

5/ Effective April 1, 1945, change in classification of cheese to four groups instead of three.

6/ Included butterfat mixed with cheeses if the cheese was less than 25 percent weight of the mixture.

7/ Included all concentrated milk packed in hermetically sealed containers. Each can (including 6-oz. cans) was a separate item. However, only one point was charged for two or more cans if their total fractional point value was not more than one point.

Compiled from Table 6 and Table 4, respectively, of the January 1945, and September - October 1945, issues of The Dairy Situation, of RAE, and from OPA Ration Order 16 and amendments thereto.

### The Special Case of Fluid Milk

Not all foods were well adapted to the rationing device. When expanded purchasing power was reflected in steadily rising consumption of fluid milk (at the expense of urgently needed manufacturing milk and accompanied by a scramble among handlers and among areas for fluid supplies at prices which threatened ceiling prices) rationing of this food product was seriously considered. However, the perishability of fluid milk and the great differences which prevailed between localities in its production and consumption would have made a rationing program very complex, and difficult and expensive to administer. In lieu of rationing, therefore, a limitation order WFO 79 was issued in September 1943 (table 13). It gave each milk distributor or handler a quota limiting his sales of fluid milk, cream, and milk byproducts to 100 percent, 75 percent, and 75 percent, respectively, of his sales of each of these products in June 1943. Handlers made their own allotments under this plan to individuals and to retail outlets but they were required to adhere to the equitable-distribution provisions of the order. The Director of Food Distribution had authority to alter the percentages at any time to meet the demands of the war food program.

June 1943 was chosen as the quota period for the following reasons: "Records for such a recent month were readily available; the use of this period eliminated the need for adjustments which inevitably arose in a quota arrangement when a more distant base was chosen; June is generally a month of peak production, therefore supplies in June 1943 would have been adequate to meet without inhibition all demands handlers had for milk and cream; and, considering the country as a whole, June sales are probably as representative of average yearly sales as sales in any other month." (13)

Because of the perishability of milk and the local character of fluid milk marketing, provisions were made for the local administration of WFO 79; the basic order later was amplified and given specific content -- and considerable regional and local applicability -- through supplementary orders; all of which were administered by authorized local market agents. In Federal milk order markets the market administrator was given the added responsibility of acting as market agent under WFO 79.

The first supplementary order (WFO 79-1) became effective October 4, 1943, for the Baltimore sales area. On the same day similar orders became effective in 13 other urban areas. The program expanded through 1943 and 1944. On March 1, 1944, it applied in more than 150 cities with an estimated total population of about 68 million. In the beginning the costs of administration were met by an assessment on handlers; such assessment was not to exceed 3 cents per 100 pounds of milk, milk equivalent of cream, and skim milk equivalent of milk byproducts. In some markets the assessment was as low as 1 cent per 100 pounds. This provision, however, was strongly opposed by some dairy organizations and it was found to be beyond the scope of the law in a case tried in the Federal District Court at Cleveland,



Ohio. 7/ In the summer of 1943 provisions were made to use appropriated funds to defray the costs of administering the various supplementary orders to WFO 79.

It was estimated that the quota restriction on cream and milk by-products would result in an annual saving of more than 1 billion pounds of milk and some 400 million pounds of skimmed milk which then could be diverted to essential manufactured products. Whether such a saving was attained has not been determined. Nevertheless, it is generally agreed that the provisions of WFO 79 did retard the previous sharp trend of increase in the consumption of fluid milk and cream and, therefore, more milk became available for manufacturing products than would have been the case without the quota restrictions of this order.

Despite efforts of producers and of the Government to increase milk supplies, production dropped sharply in the late summer and fall of 1943 so that on an annual basis it was a billion pounds less than in 1942 (table 1). As the 1943 fall season loomed, definite plans were laid, especially in the larger urban centers, to alleviate threatening market shortages and to provide for equitable distribution of emergency milk among handlers. For this purpose, allocation programs, both formal and voluntary, were developed in a number of Federal order markets, including Boston, New York, and Chicago. Some States, such as California and Connecticut, which were under State milk control, also formulated and administered comprehensive allocation programs. In the Connecticut plans, the basic milk requirements for cooperating handlers were directly related to their fluid milk quotas under FDO - 79. (5)

In the summer of 1943 it became apparent that lesser production, large consumption, price ceilings favoring buyers from other markets than New York, and the Government's requirements for whole milk powder -- all these factors could easily erase the small margin that seemingly assured New York City a full supply. Lesser production materialized shortly thereafter and some handlers continued to sell their supplies to shortage markets as far away as Miami; therefore an allocation program was put into operation. Beginning with the third week in September 1943 the submission of a weekly report (Form MA-12) became mandatory upon all handlers who distributed milk in the New York metropolitan area under Federal Order No. 27 and State Order No. 126. The report called for the following information in terms of 40-quart cans: Opening inventory, milk from producers, milk from feeder plants, utilization in fluid form in the marketing area, utilization in fluid form in other markets, and utilization in fluid cream, sweet or sour, in the marketing area; also a statement of the quantity manufactured into other products and the quantities shipped for utilization at other plants. These reports were the basis for an allocation program which lasted for 8 weeks. Quantities allocated, by weeks, were as follows

---

7/ William Marchine et al. vs. H. H. Varney et al., District Court for U. S., Northern Division of Ohio, Eastern District No. 22158.

<u>Weed ended</u>	<u>40-quart cans</u>
October 30	3,278
November 6	8,293
November 13	9,958
November 20	12,255
November 27	14,300
December 4	11,490
December 11	10,400
<u>December 18</u>	<u>4,250</u>
Total	74,224

To have this milk available for allocation to handlers who were in short supply, other handlers with an excess beyond their fluid requirements voluntarily had pledged a total pool of approximately 50 highway tanks of milk a week -- the equivalent of 600,000 quarts. The allocation program ended December 18 and weekly reports were discontinued January 1, 1944. (8)

The next year a closer control of milk supplies during the shortage season was achieved by adding certain provisions to Federal Order No. 27 and State Order No. 126. Under an amendment, effective August 1, 1945, any plant for which the report of milk received from dairy farmers was used in the computation of the uniform price for November 1944 was designated as a "pool plant". Other plants could become "pool plants" upon meeting specified requirements. A "pool plant" was subject to suspension and possible cancellation if a handler failed to meet his obligation to supply at least a designated percentage of his graded receipts to the New York metropolitan area when he had received notice from the administrator that the market was in need of supplies. Suspensions from participation in the pool could be invoked only during the months of August through December or during a month for which the Secretary had declared an emergency to exist in the supplying of milk to the marketing area. A "pool plant" provision was also incorporated in Federal Order No. 4 regulating the handling of milk in the Boston marketing area. Other markets also adopted order provisions which specified a handler's minimum obligations to his home market. Because they promote more orderly marketing, these provisions, born out of wartime disruptions of the fluid milk supply, have become a continuing aspect of Federal regulation.

Although less dramatic, the efficient utilization of seasonal surpluses was also an important wartime problem of Government and industry. This is illustrated by the following excerpt from the 1944 Report of the Director of the Office of Distribution, (14): "A special Section 32 program was developed for the season of heavy production in order to assist the movement of 'distressed' milk to plants where it could be utilized. It was not necessary to use the funds provided because milk handlers complied voluntarily and quota restrictions on fluid milk, fluid cream, milk byproducts, and ice cream were liberalized during the season of heavy production so as to reduce the danger of milk waste. Industry advisory

committees indicated that a substantial waste of milk during the heavy production season was prevented.

"The problem was particularly acute around selected markets where production for short periods was substantially higher than during the previous year and where shortages of transportation and labor caused special difficulty in the disposal of overabundant milk. Although small and isolated quantities of skim milk were dumped during the few weeks of highest production, the quantity was perhaps no greater than that so wasted in any 'normal' year."

In all the aspects and exigencies pertaining to milk marketing during World War II, Federal and State order markets cooperated to the extent consistent with regulatory procedures. The administrators had primary responsibility for the coordination of their order programs with their complex of price control and other emergency regulations. Furthermore, they served as market agents in the implementation of the conservation objectives of FDO 79. Because of their close working relationships with all local dairy enterprises, they were able to give valuable advice and assistance to governmental agencies and to the armed services in procuring required supplies of fluid milk and of manufactured dairy products. Attention also should be directed to the fact that the availability, in Federal and State order markets, of a comprehensive body of basic and current market statistics was highly important in the determination of basic policies and in the development of the different phases of the wartime program of the industry.



## XI - COOPERATION BETWEEN GOVERNMENT AND INDUSTRY

### The Dairy Industry Advisory Committees

Price supports, price controls, subsidies, and allocation controls were major governmental programs affecting the dairy industry during World War II. The existence of such varied and complex regulation reveals that the fulfillment of the war food program for milk and manufactured dairy products was a difficult and continuing endeavor both of Government and of industry. Close working relationships between Government and industry were achieved through the cooperation of dairy organizations and through the discussion and analysis of joint problems at meetings of the national industry advisory committees. These committees brought the War Food Administration into direct contact with their industries. Their advice influenced the formulation of the various regulations, and they helped in clarifying and explaining the purpose of and need for War Food Orders and other regulations. The Office of Distribution of the WFA, in turn, assisted the dairy and other food industries in solving their problems of manpower, transportation, facilities, prices, maintenance and repairs, and operating supplies. The same industry advisory committees served both the War Food Administration and the Office of Price Administration.

### Government Financing of Manufacturing Plants

To increase the production of certain foods which were essential to the war food program, it was necessary in some cases to build new processing plants or to expand the capacity of existing plants. Much of this expansion was financed with private and commercial capital but, where this was impracticable, funds were furnished by the Office of Lend-Lease Administration. In his report for the fiscal year 1944, the Director of the Office of Distribution, War Food Administration, stated that, through June 30, 1944, \$12,286,266 had been allotted for the construction of 55 processing plants, as follows: Nonfat dry milk solids, 25; cheese, 1; dehydrated vegetables, 9; dehydrated raisins, 17; dehydrated apples, 1; and citrus concentrates, 2. These projects required the approval of the WFA on the basis of the essentiality of the product, and such other factors as location, availability of supplies (such as edible skim milk), productive capacity, type of construction, conservation of material, and the efficiency and experience of the proposed management. Upon approval by WFA, funds were allotted to cover the estimated cost, and the priorities necessary to build were recommended to the War Production Board. Upon completion of the plant the Government took title and made payment; and by agreement between the applicant and the War Food Administration, the applicant leased the plant for a sufficient length of time - 5 to 10 years - to permit reimbursement of the total consideration. Under this plant expansion program the production of nonfat dry milk solids was increased from 366 million

pounds in 1941 to 643 million pounds in 1945, the last full year of the war.

### Achievement "A" Awards

As an incentive to quality and quantity production of essential dairy and other food products, the War Food Administration established, on a yearly basis, an Achievement "A" award for which all essential food-processing plants could compete. Nominations for this award were made by the regional directors of the Office of Distribution or by its commodity branches. In order to qualify for an "A" award a processing plant had to be outstanding in: Ingenuity and cooperation with Government in developing and producing war-food products; cooperation with the intents and purposes of the food-purchase programs; effective management; ability to overcome production obstacles; satisfactory management-labor relations, including avoidance of stoppages; training of additional labor forces; low absentee records; accident prevention; and health and sanitation.

The Director of the Office of Distribution of the War Food Administration reported that in the fiscal year 1944, 133 food processing plants were granted the Achievement "A" award. In most cases the award flag was presented at a public ceremony in which representatives of the Office of Distribution and of the Army or Navy participated. The War and Navy Departments took part in the ceremony in order to bring home to workers and managers the importance of food in the war program and to express their appreciation of the plant's cooperation and accomplishments. A number of dairy plants were granted the Achievement "A" award.

## XII - DECONTROL

### Controls Over Supplies of Fluid Milk and Dairy Products Relaxed

Set-aside, limitation, allocation, and rationing orders were suspended or terminated when it became evident that the need for a restriction no longer existed (table 13). The prohibition of sales of heavy fluid cream under WFO-13 and the limitation on sales of fluid milk and light cream under WFO-79, for example, were suspended September 1, 1945, or soon after the surrender of Japan. Because of short supplies relative to domestic and foreign requirements, set-aside orders on nonfat dry milk solids, evaporated milk, Cheddar cheese, and butter were not terminated until more than a year after the end of hostilities. In fact, set-aside controls on butter were not removed until May 16, 1947. Consumer rationing of butter, cheese, and evaporated milk ended at different dates in the fall of 1945 (table 14). Experience showed, however, that the termination on September 1, 1945, of WFO-13 (the order which prohibited the sale of fluid cream containing more than 19 percent butterfat) was premature. The unleashed demand for heavier cream disrupted procurement operations in fluid milk markets and created serious inroads on the supply of milk fat for butter production. A limitation order on whipping cream, WFO-149, therefore was reissued on July 1, 1946. It remained in effect during the 1946 fall shortage season.

### Final Maximum Price Adjustments

These relaxations of emergency controls were of keenest interest to the particular segment of the dairy industry which was most directly affected. Nation-wide interest, however, revolved around the question of whether or not to continue price control and the accompanying subsidy programs at the end of the 1945-46 fiscal year. In the spring of 1946 it became clear that there was little likelihood that Congress would provide additional subsidy funds to offset increased costs of producing milk. Therefore, on May 29, 1946, under Directive 114, Chester Bowles, Director of the Office of Economic Stabilization, ordered the increases in maximum prices of butter, cheese, and evaporated milk which are indicated, respectively, in tables 7, 8, and 9 under date of June 17, 1946. In addition, he directed that ice cream manufacturers be permitted to reduce the butterfat content of ice cream by 2.5 percentage points without a corresponding reduction in maximum prices (provided that they did not increase the volume), but that maximum prices of other dairy products not be increased except where necessary to relieve hardship.

In the case of fluid milk he directed that, effective June 1, 1946, or as soon thereafter as practicable, the Price Administrator and the Secretary of Agriculture should:

- (1) Increase maximum prices to producers of milk for fluid uses



under MFR 329 as follows:

- (a) Where ceilings were established on a per hundredweight basis -- 40 cents per hundredweight;
- (b) Where ceilings were established on a gallonage basis -- 4 cents per gallon;
- (c) Where ceilings were established on a butterfat basis -- 10.5 cents per pound butterfat.

In Federal order markets the adjustment of maximum prices under MFR 329 were to correspond to the adjustment of Class I prices under the applicable market order formula. Increases in Federal order markets ranged from 20 to 30 cents per hundredweight, the exact increase depending upon the local supply situation and on increases which had closely preceded the general price increase of June 1, 1946.

- (2) Maximum wholesale and retail prices of fluid milk were to be increased on the basis of 1 cent per quart both in regulated and unregulated markets, with proportionate increases in the maximum prices of other milk products.

These and other price adjustments for dairy products were made primarily to allow for the increased prices of grains and protein feeds which accompanied the food-for-famine relief program and to assuage the growing dissatisfaction of producer groups with the price-control program. The new dairy price levels had been determined under the supposition that ceiling prices and dairy subsidy payments would be continued after June 30, 1946. However, on that date all price controls and subsidies lapsed; the President had vetoed the Price Control Extension Act because he considered it inadequate and in need of revision. In his veto message he urged that price ceilings quickly be reimposed.

#### Dairy Prices and the Decontrol Board

About 3 weeks later (July 25, 1946) the President approved Public Law 548 which extended to June 30, 1947, the Emergency Price Control Act of 1942, as amended, and the Stabilization Act of 1942, as amended. For this transition period Congress affirmed that:

- (1) The rapid attainment of production equal to the public demand was necessary in order to prevent inflation and to achieve a reasonable stability in the general level of prices and rents, cost of living, and costs of production (including labor costs);
- (2) Unnecessary or unduly prolonged controls over prices and rents and use of subsidies would be inconsistent with the return to a peacetime economy;

- (3) Adequate prices were necessary stimulants to production and to the expeditious attainment of production goals.

The act declared that it was the policy of Congress that the Office of Price Administration and other agencies of the Government use their price, subsidy, and other powers to promote the earliest practicable balance between production and demand of commodities under their control, and that the general control of prices and the use of subsidy power be terminated as rapidly as possible consistent with declared policies and purposes, in no event later than June 30, 1947. On that date the Office of Price Administration was to be abolished.

Under these broad objectives, provisions were set forth for the decontrol of nonagricultural and of agricultural commodities. Section (8) (A) of the act was of particular interest to the dairy industry. It specified that no maximum prices were to be applicable prior to August 21, 1946, to livestock, milk, or food or feed products generally.

Whether or not price ceilings were to be reimposed upon any of these commodities after August 20, 1946, depended upon the decision of the Price Decontrol Board. This Board, composed of three members appointed by the President, by and with the advice and consent of the Senate, was established as an independent agency in the executive branch of the Government. Price regulation of any of these commodities was to be reimposed only if the Decontrol Board found: That the price of a commodity had risen unreasonably above a price equal to the lawful maximum price in effect on June 30, 1946, plus the per unit amount of any subsidy in effect as of June 29, 1946; that such a commodity was in short supply and that its regulation was practicable and enforceable; and, that the public interest would be served by such regulation. The Board also had power to determine whether any subsidy or any part of a subsidy in effect prior to June 30, 1946, should be reestablished. The decisions of the Board were to be based upon testimony and evidence presented at a public hearing by industry and by governmental agencies.

Each month beginning September 1, 1946, the Secretary of Agriculture was directed to certify to the Price Administrator each agricultural commodity which he determined to be in short supply. Dairy products were certified to be in short supply. When the Price Decontrol Board announced its first decision on the evening of August 20, 1946, dairy products were in the group which continued to be free of price control. Chairman Roy L. Thompson of the Board, however, warned the dairy industry that price controls would be reimposed on milk and dairy products (as they had been on meats) if prices increased unreasonably above former ceiling prices plus subsidies. In the third week of September, the Price Decontrol Board held a special session at which all dairy prices were reviewed. Again the decision was made, at least temporarily, to keep the prices of milk and dairy products free of controls. Prices of these products continued to rise until mid-October, when price controls on meats, some feeds, and fats and



milk, were removed. In the latter part of October, larger market supplies of competing fats, and a seasonally high rate of butter production apparently were closely associated with a decrease of 7 to 9 cents per pound in the wholesale price of butter. At no time after June 30, 1946, were milk or dairy products under price control, and all price controls were lifted before the President proclaimed hostilities ended at noon, December 31, 1946.

#### Repercussions in Federal Order Markets

The abrupt termination of dairy production payments on June 30, 1946, and the uncertainties which continued to exist for a matter of months, created serious disturbances among producers, particularly those who were supplying milk for fluid use in regulated markets. Under the rapidly changing price conditions, the Secretary, his administrators, and producer cooperatives strove to maintain stability in the various milk marketing areas. Early in July the Secretary had announced his intention to ask Congress to provide subsidies for those producers who observed ceiling prices in the interim pending final decision on price control. Nevertheless, prices of fluid milk increased rapidly, particularly in the large eastern markets. In this readjustment period producer organizations quite generally negotiated with handlers for premiums over minimum prices established by Federal orders. Furthermore, prices of manufactured products, even after moving up to cover subsidies, fluctuated rather widely. This led to some dissatisfaction with certain types of formulas used in fluid milk pricing.

With respect to Federal order markets, therefore, the abrupt termination of producer subsidies and the erratic behavior of prices of dairy products in the decontrol period had two lasting effects. First, these events led to a wider usage of the negotiation of premiums over the order minimum prices than had been the case prior to wartime controls; second, the changing dairy price relationships probably stimulated improvements in fluid milk formulas for regulated markets.

#### LITERATURE CITED

- (1) Baker, Gladys L., and Rasmussen, Wayne H.  
1950. A Chronology of the War Food Administration, Including Predecessor and Successor Agencies, Aug. 1939 to Dec. 1946. U. S. Dept. Agr., Bur. Agr. Econ., 73 pp.
- (2) Falls Cities Cooperative Dairyman  
1941. Patriotism, Production, and Profit. Vol. IX, no. 10, p. 1. Louisville, Ky.
- (3) Falls Cities Cooperative Dairyman  
1942. How Will Milk Move to Market? Vol. XI, no. 3, p. 1. Louisville, Ky.



- (4) Foote, Richard J.  
1947. Wartime Dairy Policies, Jour. Farm Econ. 29: 679-690
- (5) Hammerberg, D. O., and Sullivan, W. G.  
1945. The 1943 Emergency Milk Purchase Program. Part II of  
Bul. 254, Storrs Agr. Expt. Station, Storrs, Conn.  
40 pp., illus.
- (6) Hedges, Irwin R.  
1945. Price Control of Dairy Products during World War II  
Unpublished thesis, Univ. of Wis.
- (7) Hirsch, Donald E.  
1951. Dairy Co-ops. During World War II  
Farm Credit Admin. Spec. Rpt. 217, prepared for limited distribution. 69 pp., illus.
- (8) New York Milk Market Administrator's Bulletin  
1943. Vol. 4, No. 3.
- (9) Stitts, Thomas G., and Welden, William C.  
1945. Hearings before the Special Committee to Investigate  
Food Shortages for the House of Representatives,  
79th Congress. Part 3, pp. 1023-1055. U. S. Govt.  
Printing Off., Washington, D. C.
- (10) Twin City Milk Producers Bulletin  
1941. Vol XXV, No. 4, p. 3. St. Paul, Minn.
- (11) Twin City Milk Producers Bulletin  
1941. Vol. XXV, No. 9, p. 1. St. Paul, Minn.
- (12) U. S. Bureau of Agricultural Economics  
Jan. 1951. Agricultural Prices, pp. 31-38.
- (13) U. S. D. A. War Food Administration  
1944. Economic Statement with Respect to Food Distribution  
Order 79, p. 30.
- (14) U. S. D. A. War Food Administration  
1944. Report of the Director of the Office of Distribution,  
pp. 61-62.
- (15) Waite, Warren C., and Trelogan, Harry C.  
1948. Introduction to Agricultural Prices, pp. 197-205,  
Minneapolis, Minn.

